Annual Report

For the year ended
31 December 2015

Bank of Ireland Group

Bank of Ireland

Annual Report

for the year ended 31 December 2015

Forward-looking statement

This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934 and Section 27A of the US Securities Act of 1933 with respect to certain of the Bank of Ireland Group's (the 'Group') plans and its current goals and expectations relating to its future financial condition and performance, the markets in which it operates, and its future capital requirements. These forward-looking statements often can be identified by the fact that they do not relate only to historical or current facts. Generally, but not always, words such as 'may,' 'could,' 'should,' 'will,' 'expect,' 'intend,' 'estimate,' 'anticipate,' 'assume,' 'believe,' 'plan,' 'seek,' 'continue,' 'target,' 'goal,' 'would,' or their negative variations or similar expressions identify forward-looking statements, but their absence does not mean that a statement is not forward-looking.

Examples of forward-looking statements include among others, statements regarding the Group's near term and longer term future capital requirements and ratios, level of ownership by the Irish Government, loan to deposit ratios, expected impairment charges, the level of the Group's assets, the Group's financial position, future income, business strategy, projected costs, margins, future payment of dividends, the implementation of changes in respect of certain of the Group's pension schemes, estimates of capital expenditures, discussions with Irish, United Kingdom, European and other regulators and plans and objectives for future operations.

Such forward-looking statements are inherently subject to risks and uncertainties, and hence actual results may differ materially from those expressed or implied by such forward-looking statements.

Such risks and uncertainties include, but are not limited to, the following:

- *geopolitical risks which could potentially adversely impact the markets in which the Group operates;*
- *concerns on sovereign debt and financial uncertainties in the EU and the potential effects of those uncertainties on the financial services industry and on the Group;*
- *general and sector specific economic conditions in Ireland, the United Kingdom and the other markets in which the Group operates;*
- *the ability of the Group to generate additional liquidity and capital as required;*
- *property market conditions in Ireland and the United Kingdom;*
- *the potential exposure of the Group to credit risk and to various types of market risks, such as interest rate risk and foreign exchange rate risk;*
- *the impact on lending and other activity arising from the emerging macro prudential policies;*
- *the performance and volatility of international capital markets;*
- *the effects of the Irish Government's stockholding in the Group (through the Ireland Strategic Investment Fund) and possible changes in the level of such stockholding;*
- *changes in applicable laws, regulations and taxes in jurisdictions in which the Group operates particularly banking regulation by the Irish and United Kingdom Governments together with the operation of the Single Supervisory Mechanism and the establishment of the Single Resolution Mechanism;*
- *the impact of the continuing implementation of significant regulatory developments such as Basel III, Capital Requirements Directive (CRD) IV, Solvency II and the Recovery and Resolution Directive;*
- *the exercise by regulators of powers of regulation and oversight in Ireland and the United Kingdom;*
- *the introduction of new government policies or the amendment of existing policies in Ireland or the United Kingdom;*
- *uncertainty relating to the forthcoming UK European Union 'In / Out' referendum;*
- *the outcome of any legal claims brought against the Group by third parties or legal or regulatory proceedings more generally, that may have implications for the Group;*
- *the development and implementation of the Group's strategy, including the Group's ability to achieve net interest margin increases and cost reductions;*
- *the inherent risk within the Group's life assurance business involving claims, as well as market conditions generally;*
- *potential further contributions to the Group sponsored pension schemes if the value of pension fund assets is not sufficient to cover potential obligations;*
- *the Group's ability to address weaknesses or failures in its internal processes and procedures including information technology issues and equipment failures and other operational risk;*
- *the Group's ability to meet customers' expectations in mobile, social, analytics and cloud technologies which have enabled a new breed of 'digital first' propositions, business models and competitors;*
- *failure to establish availability of future taxable profits, or a legislative change in quantum of deferred tax assets currently recognised; and*
- *difficulties in recruiting and retaining appropriate numbers and calibre of staff.*

Analyses of asset quality and impairment in addition to liquidity and funding are set out in the Risk Management Report. Investors should read 'Principal Risks and Uncertainties' in this document beginning on page 61.

Nothing in this document should be considered to be a forecast of future profitability or financial position and none of the information in this document is or is intended to be a profit forecast or profit estimate. Any forward-looking statement speaks only as at the date it is made. The Group does not undertake to release publicly any revision to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date hereof. The reader should however, consult any additional disclosures that the Group has made or may make in documents filed or submitted or may file or submit to the US Securities and Exchange Commission.

For further information please contact:

Andrew Keating
Group Chief Financial Officer
Tel: +353 76 623 5141

Mark Spain
Director of Group Investor Relations
Tel: +353 76 623 4850

Pat Farrell
Head of Group Communications
Tel: +353 76 623 4770

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www.bankofireland.com

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Key highlights

Business highlights

Customers

- Group loans grew in 2015; net new lending of €3.9 billion in core loan books
- Continue to be the largest lender to the Irish economy in 2015
- International businesses (UK and acquisition finance) both performed well
- Group new lending up >40% on 2014
- Reduced Non-performing loans by a further €3.8bn in 2015

Profitability

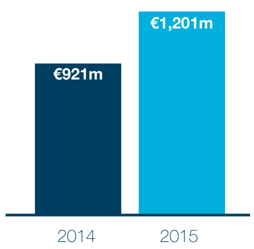
- Underlying profit of €1.2bn, 30% increase over 2014
- Increased total income by c.10%; Net interest income up 4%; NIM of 2.19%
- Significantly reduced impairment charge to 32bps
- All trading divisions contributing towards the Group's profitability
- Increased TNAV per share by c.12% to 24.1c

Capital

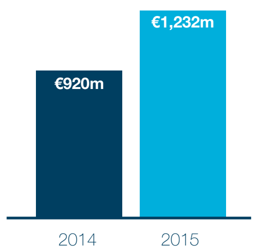
- Increased fully loaded CET 1 ratio by 200bps to 11.3%; transitional CET 1 ratio of 13.3%
- Redeemed the 2009 Preference Shares at the earliest possible opportunity
- Successful AT1 issuance of €750m; total capital ratio of 18.0%
- Now restored to Investment Grade by Moody's, Standard & Poor's and Fitch
- Maintaining progress towards dividend capacity - updated distribution policy in place

Financial highlights

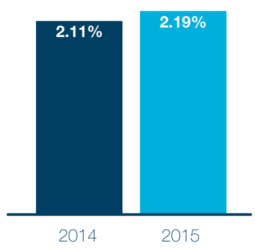
Underlying profit before tax €m



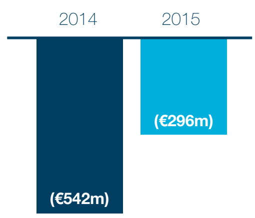
Profit before tax €m



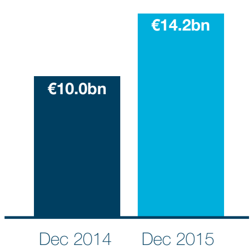
Net interest margin (before ELG fees) %



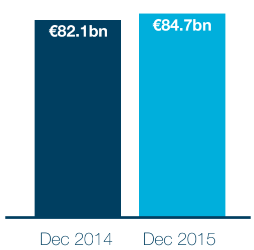
Impairment charges on loans & advances to customers €m



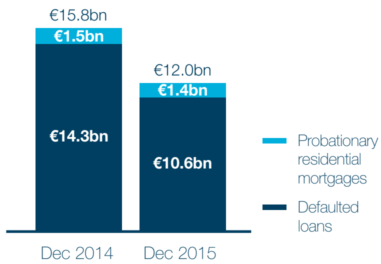
Gross new lending volumes[1] €bn



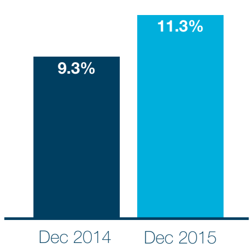
Loans & advances to customers (net) €bn



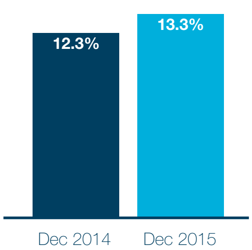
Non-performing loan volumes €bn



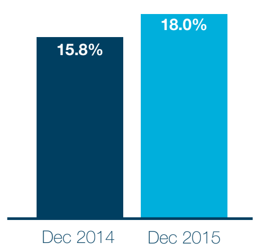
Common equity tier 1 (CRD IV fully loaded) %



Common equity tier 1[2] (CRD IV transitional) %



Total capital[2] (CRD IV transitional) %



[1] Gross new lending volumes in 2015 include loan book acquisitions of €0.6 billion.

[2] The CRD IV transitional Common equity tier 1 (CET 1) and Total capital ratios at 31 December 2014 have been restated to exclude the benefit of the 2009 Preference Stock which the Group derecognised from regulatory capital in November 2015 (see note 46). Including the benefit of the 2009 Preference Stock the CRD IV transitional Common equity tier 1 and Total capital ratios at 31 December 2014 were 14.8% and 18.3% respectively.

Chairman's review

Archie G Kane, Chairman

In my review last year, I reported on the Group's significant progress during 2014. I am pleased to report that the Group has built on this progress during 2015, with strong new lending momentum in both our Irish and international businesses, growth in our profitability and strong organic growth in our capital position.

The economies of Ireland and the UK performed well in 2015

Economic developments in Ireland and the UK have been positive. The Irish economy was the fastest growing economy in Europe for a second year running in 2015. This momentum has continued in 2016. Exports were buoyant and domestic activity strengthened as consumer spending gathered pace. The number of people at work has been increasing at an average rate of around 1,000 every week. As a consequence, the unemployment rate has been continuing to fall, reaching a 7 year low of 8.6% in January, and it is projected to fall further by the end of this year. The UK economy also expanded last year, supported by another strong increase in consumer spending. While the growth outlook for both economies is generally considered to be favourable, we are conscious that recent market turbulence and ongoing geopolitical developments could impact sentiment and potentially the trajectory of growth.

We continue to play a pro-active role in supporting the economic recovery in Ireland. We were the largest lender to the Irish economy in 2014 and we have repeated this performance during 2015.

The Group continues to have the capital, liquidity, infrastructure, ambition and strategic imperative to support our Irish and international customers.

Group's progress continued in 2015

We have continued to deliver against our strategic priorities in 2015. We have built on our strong franchise positions in each of our businesses in Ireland, increasing lending throughout of the economy including to consumers, businesses and corporates. Our UK business has also had another positive 12 months, and we have strengthened our key long standing partnership with the Post Office. Furthermore, in July, we announced a new long term financial services partnership with the AA, which is complementary to our Post Office partnership.

The progress of our businesses is reflected in further improvements in our financial performance. We have significantly improved our sustainable profitability in 2015. This performance has been achieved despite a number of challenges including the ongoing low interest rate environment and increased regulatory costs.

Our strong operating performance has contributed to further significant capital accretion during the year. This was important in enabling the Group to redeem the 2009 Preference Stock on 4 January 2016. This redemption, at the earliest possible date, delivered against a key strategic priority of the Group.

The progress of our businesses is also reflected by the restoration of our investment grade rating by the rating agencies Standard & Poor's, Moody's and Fitch.

We have maintained our momentum towards dividend capacity and our results include an updated distribution policy.

Our customers and colleagues

Our progress would not be possible without unstinting support from our customers, colleagues and other stakeholders. I would particularly like to thank our customers for their ongoing loyalty and confidence. Bank of Ireland continues to enhance customer relationships by delivering sustainable products and services that meet their evolving financial requirements through a range of co-ordinated initiatives, all designed to support customers in achieving their goals and aspirations.

I want to thank all of our colleagues, led by our commercially focused and cohesive management team, for their unrelenting professionalism, dedication and commitment to their businesses and to their customers and the communities from which we derive our business. The fact that large numbers of our colleagues continue to invest in their skills and training, in order to better serve and anticipate changing customer needs, is a source of great confidence to me and the Board. In 2015, we completed the implementation of our new career and reward framework for colleagues across the Group and this will support the evolving needs of our businesses, our customers and our colleagues.

Regulation

The regulatory landscape in which the Group operates is complex and it continues to evolve, requiring the Group to adapt to, and operate within, a dynamic and challenging environment. Regulatory capital requirements are becoming clearer and the significant progress the Group continues to make in improving its capital position means we are well placed to meet all such requirements. The Group continues to invest in ensuring that we have ongoing professional and constructive engagement with all of our regulators.

Doing Business Responsibly

As I noted last year, doing business responsibly creates a more stable and successful business and benefits those who engage with the Group. Further enhancing stakeholder confidence and staff pride continue to be important objectives for us. We published our first Responsible Business Report last year and we were pleased that our report was awarded joint first place at the Published Accounts Awards for 'Best Social Responsibility Reporting'. The recent publication of our 2015 Responsible Business Report marks further important progress in this regard. The report gives a comprehensive picture of our governance structures and what is happening across the Group from the perspective of customers, communities, colleagues and the environment.

Board

I am pleased to report the addition of Fiona Muldoon to the Board in June 2015. Fiona is the Group Chief Executive of FBD Holdings plc, one of Ireland's largest property and casualty insurers. From 2011 to 2014, Fiona worked with the Central Bank of Ireland including as Director, Credit Institutions and Insurance Supervision. Previously Fiona held senior executive roles with Canada Life and XL Group. Fiona has significant Irish and international commercial and regulatory experience.
I am also pleased to report the appointments of Patrick Kennedy as Deputy Governor, following the retirement of Patrick O'Sullivan at last year's Annual General Court, and Patrick Haren as Senior Independent Director and Chairman of the Remuneration Committee.

Annual General Court

I welcome the opportunities I have to engage with our shareholders during the year and I thank them for their input and advice. The Annual General Court (AGC) is an important forum for Directors to meet and hear the views of all shareholders. Our 2016 AGC is scheduled to be held on 28 April 2016 and I encourage shareholders to participate in it, particularly in relation to exercising their voting rights.

Well positioned for further delivery

The Group has strong diversified customer franchises, located in attractive economies, managed by a commercially focused, stable and experienced team with a proven track record, working to a clear set of strategic priorities. Building on the work we have done to ensure a strong sustainable Group, I am confident that the Group is well positioned to deliver attractive and sustainable returns to our shareholders.

Archie G Kane
Chairman
19 February 2016

Group Chief Executive's review

Richie Boucher, Group Chief Executive Officer

'All of our trading divisions are profitable and contributed to our strong financial performance during the period. We continued to be the largest lender to the Irish economy, providing €6.9 billion of new credit to personal and business customers in 2015. With our strong franchises, we are well positioned to meet credit demand which is recovering as the Irish economy grows and confidence returns. We generated an underlying profit before tax of €1,201 million in 2015, 30% higher than the equivalent figure in 2014 of €921 million.

The Group continues to generate capital at a significant pace, with a 200 basis points increase to 11.3% in our fully loaded Common equity tier 1 ratio during 2015. Our aim is to have a sustainable dividend. We have maintained our progress towards dividends and have updated our distribution policy. The strength and momentum in our businesses gives us confidence in the Group's prospects and in our ability to continue to focus on our duty to responsibly develop our profitable, long term franchises and better serve our customers, in a way that delivers attractive sustainable returns to our shareholders.'

We have continued to deliver on our strategic priorities in 2015

We set a number of strategic priorities at the beginning of the year. These included continuing to:
- develop relationships with existing and new customers, both in our Irish and international businesses,
- further increase our profitability, through revenue growth, margin and cost discipline and reductions in our impairment charges,
- provide appropriate solutions to customers in financial difficulty and reduce non-performing loans,
- effectively manage the developing regulatory environment,
- protect and build our capital, thereby enabling the redemption of the expensive 2009 Preference Stock, and
- maintain our progress towards dividend capacity.

We have made significant progress against all of these strategic priorities during 2015.

We have increased our profitability and further strengthened our capital position

Underlying profit before tax grew 30% to c.€1.2 billion

We generated an underlying profit before tax of €1,201 million in 2015, 30% higher than the equivalent figure in 2014 of €921 million. Higher net interest income and fees together with significantly reduced loan impairment charges have all contributed to this improvement. All of our trading divisions are profitable and contributed to our strong financial performance during the period. On a statutory basis, the Group reported a profit before tax of €1,232 million.

The overall result reflects additional gains amounting to €237 million, primarily relating to the rebalancing of our liquid asset portfolio. It also reflects a c.€30 million benefit, arising due to foreign exchange translation effects. Underlying profit, excluding additional gains, more than doubled in 2015 to €964 million.

We increased our fully loaded CET 1 ratio by 200 basis points to 11.3%. This supported our redemption of the 2009 Preference Stock at the earliest possible date

The Group continues to generate capital at a significant pace, with a 200 basis points increase to 11.3% in our fully loaded Common equity tier 1 (CET 1) ratio during 2015. The Group's transitional CET 1 ratio was 13.3% at the end of December 2015. The increase in our CET 1 ratios mainly reflects profits earned during the year. Our Total capital ratio was 18.0% at the end of 2015 and reflects, inter alia, our successful €750 million Additional tier 1 (AT1) bond issue in June 2015.

Our strong capital performance during 2015 helped us to redeem the expensive €1.3 billion 10.25% 2009 Preference Stock on 4 January 2016, which was the earliest date that we could redeem them.

We have received further clarity on our capital requirements

The Group has received further clarity on its minimum regulatory capital requirements. The Single Supervisory Mechanism (SSM) has advised that the Group's SREP (Supervisory Review and Evaluation Process) requirement for 2016 is to maintain the CET 1 ratio at a minimum level of 10.25%, calculated on a transitional basis. 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 as follows: 0.5% from July 2019, 1.0% from July 2020 and 1.5% from July 2021. Both the SREP requirement and the O-SII buffer are subject to annual review by the SSM and the Central Bank of Ireland (CBI) respectively. The Group expects to maintain sufficient capital to meet, at a minimum, applicable regulatory capital requirements plus an appropriate management buffer of 100-150bps.

We have maintained progress towards dividends and have updated our distribution policy

Our aim is to have a sustainable dividend. Our ambition is to re-commence dividend payments in respect of financial year 2016, with the initial payment being made in the first half of 2017. We expect dividend payments to re-commence at a modest level, prudently and progressively building, over time, towards a payout ratio of around 50% of sustainable earnings. The dividend level and the rate of progression will reflect, amongst other things, the strength of the Group's capital and capital generation, the Board's assessment of the growth and investment opportunities available, any capital the Group retains to cover uncertainties and any impact from the evolving regulatory and accounting environments.

The economies in our main markets have been performing well

Our businesses have been benefitting from the growing Irish and UK economies. In Ireland, healthy exports and investment along with rising consumer spending are providing support. Confidence has been increasing reflecting ongoing job gains and earnings growth, and the residential and commercial property markets in Ireland are continuing to recover. Whilst the outlook for these two economies continues to be generally favourable, we are conscious of international economic and geopolitical risks to sentiment and growth.

The Group's loan book grew in 2015. We continue to be the largest lender to the Irish economy in 2015

Group loans grew in 2015, as new lending exceeded redemptions.

Gross new lending (including acquisitions) of €14.2 billion for the year was more than 40% higher than in 2014, with strong performances across our businesses.

We continued to be the largest lender to the Irish economy, providing €6.9 billion of new credit to personal and business customers in 2015. With our strong franchises, we are well positioned to meet credit demand which is recovering as the Irish economy grows and confidence returns.

Our international businesses also grew during the year, benefitting, amongst other things, from investments we have been making. While fully supporting and benefitting from the ongoing Irish economic recovery, as the demand for credit grows in Ireland, this international diversification provides attractive additional opportunities for the Group to deploy its capital and liquidity to develop and grow profitable, focused businesses.

Gross loan redemptions of €13.9 billion in 2015 included the results of our successful actions to reduce our defaulted loans, from repayments and redemptions in our RoI mortgage tracker book (reduced by €1.5 billion during the year) and from the run-down of our non-core GB business banking book. Together, these items accounted for €3.6 billion of repayments and redemptions.

Overall, net loans and advances to customers were €84.7 billion at 31 December 2015, an increase of €2.6 billion since 31 December 2014. The strengthening of sterling during the period contributed c.€2.5 billion to this increase.

The Group's core loan books continue to grow and the momentum we are seeing across our businesses gives us confidence that we will continue to make further progress in 2016, and beyond.

Net interest income increased 4% in 2015, notwithstanding significant liquid asset sales and the impact of the low interest rate environment

Our net interest income increased by 4% in 2015, compared to 2014.

We earned a net interest margin of 2.19% in 2015, compared to 2.11% in 2014. The increase reflects lower funding costs and the positive impact of new lending, partially offset by the impact of lower yields on liquid assets purchased to replace bonds maturing or sold as part of our liquid asset rebalancing strategy and the challenges posed by the low interest rate environment generally.

Our net interest margin in H2 2015 was 2.17% and we expect that the net interest margin in 2016 will be broadly in line with this level. We expect the net interest margin to fall modestly from the H2 2015 level in the first half of 2016, as a consequence of further bond sales taking place in the early part of 2016, before growing again in the second half when the €1 billion Convertible Contingent Capital Note instrument is repaid and as new lending continues to positively impact income and margin.

Growth in non-interest income

The Group's non-interest income increased to €828 million in 2015, compared to €653 million last year. The increase reflects growth in our business income driven by increased customer activity levels, supplemented by €237 million additional gains, with €173 million arising on the rebalancing of our liquid asset portfolio and €64 million arising from the sale of investment properties and certain other assets. Group non-interest income included equivalent additional gains of €137 million in 2014. Our available for sale reserves and fully loaded CET 1 ratio, at December 2015, include the estimated pre-tax gain of €75 million on the recently announced Visa transaction. We expect gains from the Visa transaction to be reflected in our 2016 income statement, on completion.

Maintaining tight control over costs, while continuing to invest in our businesses, people and infrastructure

We have continued to maintain tight control over costs while investing in our people and infrastructure as well as initiatives to further expand our distribution platforms, improve our customer propositions and enhance our franchises. Our cost-income ratio was c.53% in 2015, albeit with our income benefitting from the additional gains referred to earlier. Our operating expenses increased by approximately €145 million compared to last year. The strengthening in the value of sterling accounted for c.€41 million of this increase, with investments in our people, distribution platforms, infrastructure and technology accounting for the balance. These investments are paying off - we have doubled Group new lending over the past two years; our start up financial services partnership with the AA commenced 6 months ago and we are encouraged by its early progress; and in Ireland, we are seeing increasing customer adoption of our digital propositions, leading to further opportunities and efficiencies, over time. Regulatory charges, including the costs associated with the Irish bank levy, amounted to €75 million in 2015. We currently expect that these regulatory costs and levies could increase by €40-€45 million in 2016.

Reduced non-performing loans by a further €3.8 billion; Restructuring solutions for challenged loans are working

Our asset quality continues to improve in 2015.

We reduced our non-performing loans by a further €3.8 billion - with reductions across all asset classes. These reductions reflect our ongoing progress with resolution strategies that include appropriate and sustainable support to viable customers who are in financial difficulty, the improving economic environment and the ongoing recovery in collateral values. We anticipate further reductions in non-performing loans in 2016 and beyond, with the pace of such reductions being influenced by a range of factors.

We continue to be very focused on the resolution of Irish mortgage arrears and SME challenged loans, agreeing suitable and sustainable solutions, which work for our customers and are acceptable to the Group. More than 9 out of 10 challenged Owner occupier Irish mortgage customers with restructuring arrangements continue to meet the agreed repayments. In our challenged Irish business banking portfolio, we have restructuring and resolution arrangements in place in over 90% of cases. More than 9 out of 10 restructured business banking borrowers continue to meet their agreed arrangements.

Customer loan impairment charge reduced by >60%

Our customer loan impairment charge was €296 million in 2015, down from a net charge of €542 million last year, with reductions across all asset classes. The impairment charge amounted to 32 basis points in the period, down more than 60% on the equivalent 2014 charge of 90 basis points. We expect the impairment charge to remain at broadly similar levels in 2016.

Maintaining a robust liquidity position

Our liquidity position continues to be robust. Customer deposits fund more than 90% of customer loans and these deposits are predominantly retail oriented. Our wholesale funding requirement has further reduced to €14 billion in 2015. At the end of December 2015, our net stable funding ratio was 120%, our liquidity coverage ratio was 108% and our loan to deposit ratio was 106%.

Restored to investment grade by all 3 rating agencies

During 2015, the rating agencies Moody's, Standard & Poor's and Fitch have all recognised the progress the Group has made and all three agencies have restored our investment grade rating.

Increased our TNAV by c.12%

As a result of our financial performance, our Tangible Net Asset Value (TNAV) has increased by c.12% in 2015 to 24.1 cents per share.

Our Retail Ireland division has delivered a strong performance during 2015

The Group earns c.70% of its income in Ireland through our Retail Ireland division, our Bank of Ireland Life division and the activities in Ireland of our Corporate and Treasury division. Our Retail Ireland division has continued to focus on developing relationships with existing and new customers, supporting them in their communities and enterprises, and helping them to be more financially secure and successful. This focus continues to deliver results, with strong performances across our businesses. The successful execution of our business strategies and the improved economic environment have both contributed to a significantly improved financial result in our Retail Ireland division.

We continue to be the number 1 business bank in Ireland

In Ireland, we continue to be the number 1 bank for businesses, providing over 50% of new business lending. Business lending is continuing to recover and our new lending volumes of €2.7 billion were up 17% compared to 2014. Lending growth is becoming more diversified and applications from smaller businesses have materially increased. Our agricultural, motor finance and commercial finance businesses are sustaining the momentum established in previous periods and we continue to provide over 50% of new agricultural lending. We are also the main provider of finance in the motor sector in Ireland, and enjoyed new business volume growth of 40% across our franchise partners, who account for more than 50% of the market. We are also seeing increased customer activity in the retail convenience, hospitality and nursing home sectors. We continue to invest to enhance our customer propositions and all business loans up to €100,000 can now be transacted through our centralised direct channel. This investment has been successful and over 80% of loans are being transacted through this channel. We have also supported a dedicated business online resource, ThinkBusiness.ie, which has been well received by customers. We completed the acquisitions of performing business banking portfolios, totalling c.€400 million, from Danske Bank and Lloyds Bank during the year and we believe there are further opportunities to build new relationships with businesses that are refinancing from other institutions.

Our Irish consumer businesses continue to be commercially disciplined; we continue to invest to meet changing customer requirements

Our Irish consumer businesses also performed well in 2015 with new mortgage lending levels up 12% to €1.4 billion compared to last year. We continue to be commercially disciplined in a somewhat more competitive environment, while maintaining our margins. Our market share of new mortgages was 31% in H2 2015, up from 26% in H1. Our Irish mortgage pricing strategy continues to focus on promoting our fixed rate offerings which we believe provide value and certainty to our customers and to the Group. Fixed rate products accounted for c.65% of our new lending in the second half of 2015, up from c.30% a year ago.

Our customers' requirements and preferences continue to evolve and we continue to invest in our propositions and platforms in order to enhance our customers' experience. We launched revised current account propositions in the first half of 2015, providing convenient online account opening, savings for customers migrating towards automated transactions and delivering efficiencies for the Group. Our digital adoption programmes have helped our customers to have further improved access to their money and our products. Accordingly, 65% of our personal current account customers are now digitally active, compared to 48% two years ago. Mobile is now the digital channel of choice with over 50% of online interactions via this channel. Our direct channel has also been growing strongly and we expect this to continue. Over 43% of personal and small business loan sales were delivered through Direct Channels in 2015, which was up from 21% in 2014. The feedback from our customers to our simplified and expanded range of services is very positive - they welcome the efficiency and accessibility that comes from dealing with a specialised team to execute the credit approval / drawdown process, while continuing to have access to local relationship management for advisory services and support in our network. Over 70% of customers now use self-service options in branch, up from 9% in 2011 and over the counter transactions in branch now account for less than 4% of total retail transactions, as we reconfigure our branches to firmly focus on business development within their communities.

Underlying profit before tax up >50% vs 2014

The strong operating performance is reflected in a significantly improved financial performance. Our Retail Ireland division reported underlying profit before tax of €507 million, for the period, 55% higher than the 2014 result of €328 million.

Bancassurance - a core business enhancing our customer offering

Our Bank of Ireland Life division, which includes New Ireland Assurance Company plc (NIAC), is the second largest life assurance company in Ireland. The business provides life, pensions, protection and investment products, focusing predominantly on the consumer and business market. Bank of Ireland Group is the only bancassurer in the Irish market, with c.35% of new product sales originating from the Bank of Ireland network.

NIAC performing well in a recovering market

The life assurance market continues to recover. NIAC has sustained a market share of 23% during the year, with new business levels up 9% year on year, with the investment business being the strongest contributor. Operating profits are broadly in line with 2014 levels as the business continues to invest in its customer propositions, including the launch of Life Online, a new portal that gives customers rich and personalised information on their pension and investment portfolios, all integrated alongside their Bank of Ireland current account and other banking products. NIAC's focus on customer service was recognised when it retained the Professional Insurance Brokers Association's 'Financial Broker Excellence Award' for the fourth year in a row.

Our Retail UK division is capitalising on the investments we have been making

Our Retail UK division accounts for c.25% of our total income. With over 2 million customers, it is focused on providing banking services to consumers, primarily operating via attractive partnerships with two of the UK's most trusted brands, the Post Office and the Automobile Association (AA), and other strategic intermediaries. After several years of deleveraging, this division is now growing and is well positioned to benefit from the UK economic recovery and, over time, higher interest rates. The division's financial performance improved in 2015, with underlying profit before tax up 37% to £140 million.

Partnership with the UK Post Office continuing to develop

A key objective for 2015 was to continue to grow our mortgage business, building on the progress we made last year. In 2015, our new mortgage lending was £3.3 billion compared with £1.8 billion in 2014. We have achieved good momentum through the Post Office branded direct and intermediary channels. The intermediary channel is the most important channel in the UK mortgage market, accounting for c.70% of new lending volumes, and we have enhanced our distribution capability in this channel by launching Rome, a new award winning mortgage origination platform, which has been very well received by our intermediary partners. Our foreign exchange joint venture with the Post Office remains the largest provider of consumer foreign exchange in the UK, with 24% market share, and our travel money card app has continued to win new customers with downloads passing the 250,000 mark. The Post Office continues to be our primary source of retail deposits in the UK and we further enhanced our customer offerings during the year.

New partnership with the AA is an important development for the Group

In July, we announced a new long term financial services partnership with the AA, through customer propositions focused on the provision of credit cards, unsecured personal loans, savings and mortgages in the UK. This start up partnership is complementary to our partnership with the Post Office and will combine our proven product development capabilities with the strength of the AA brand and its extensive and attractive membership base. The AA is one of the UK's most trusted brands with nearly 4 million members. In our first 5 months of trading, we have launched 9 new products across AA branded credit cards, loans and savings and we intend to launch the first AA branded mortgage in 2016.

Northern Ireland and Northridge on track

Our full service bank in Northern Ireland continues to progress with business loan demand increasing as the economy recovers. Northridge, our UK motor asset finance business, had another good year and is well positioned for further growth.

Continue to run down our GB non-core books	Our GB Corporate and Business Banking loan books, which we are running down under our EU-approved Restructuring Plan, reduced by £0.6 billion during 2015. The remaining book at December 2015 amounted to £1.3 billion.

Our Corporate & Treasury division had another successful year

Our Corporate and Treasury division provides banking services to our larger business customers. This division also manages the Group's liquid asset portfolio. Underlying profit before tax improved by 15% to €637 million in 2015.

Corporate banking maintains number 1 position	We continue to be Ireland's number 1 corporate bank, winning a number of new customer relationships during the period. With new lending volumes of over €1.8 billion, we have been able to support a significant increase in acquisition and general investment activity in the Irish mid-corporate market, a sector we helped nurture during the recession. We also continue to achieve a strong share (more than 50%) of banking relationships arising from new foreign direct investment in Ireland.
Treasury business benefitting from increased customer activity and enhanced customer propositions	In our treasury business, our foreign exchange volumes were boosted both by increased customer activity and the increased volatility in currency markets. The launch of FXPay, the Group's new online foreign exchange trading platform, has been well received by our customers.
Acquisition finance performs well again	Our international acquisition finance business has delivered another strong performance during the year. This business continues to generate attractive margins and fee income, within a disciplined risk appetite, from a geographically and sectorally diversified portfolio where we have strong relationships with sponsors who appreciate the clarity of our risk appetite.

Our People are a key differentiator for our business

The skills, focus and drive of my colleagues is key to the continued success of our business. I would like to extend my gratitude to my colleagues for their tremendous commitment and professionalism, as we deliver on our shared objectives for our customers, and for the Group, and continue to drive sustainable, profitable growth.

During 2015, we further embedded our Group-wide career and reward framework, endorsed by our principal employee representative bodies. Reinforcing our commitment to the professionalisation and career development of all our employees, we introduced an industry leading Career Portal, designed to support career path transparency and career growth options, while highlighting professionalisation opportunities. We also delivered a new employee intranet to support employee collaboration and communication. Focused talent development programmes and targeted graduate and intern recruitment campaigns aligned with our youth proposition were also successfully delivered.

Our future success depends on my colleagues being equipped to effectively navigate the dynamic commercial, technological and regulatory environments in which we operate. We remain steadfast in our focus to build the right environment for our colleagues to thrive and progress, and to ensure that they are able to further support our business agenda and effectively support and serve our customers.

Over the past 2 years, almost 300,000 hours of learning were completed by colleagues around the Group covering a broad curriculum of over 400 programmes, with 63% delivered through digital channels in 2015. During this time, over 5,500 colleagues have achieved first time or additional professional accredited qualifications, while more than 4,000 individuals were sponsored to commence dedicated, relevant education programmes.

Continued engagement and investment in wellbeing programmes, while driving through significant change, saw record numbers of employees participating in our Be at Your Best programme. Our employees also came out in record numbers to support their Group sponsored flagship charities and their chosen causes, resulting in c.€2.5 million in charitable giving and 1,000 volunteer days contributed to the communities in which we live and work, supported by the Bank's flagship CSR programme, Give Together.

Focussed on delivering attractive and sustainable returns for shareholders

In 2015, we have continued to deliver against the strategic objectives we set for ourselves and have articulated to our shareholders. The strength of our franchises and the positive impacts of the investments we have been making and continue to make are reflected in our improved financial performance. We will continue to invest in our people and businesses to broaden our distribution platforms, enhance our customer propositions and experiences and deliver efficiencies for the Group. Investments in our core infrastructure will be getting even further focus over the next few years.

The economies of our main markets have been performing well and are anticipated to continue to grow, albeit there may be some impact on the growth trajectory from current market volatility and ongoing geo-political tensions. The strength of our retail and commercial franchises, the benefits of our diversified business model, our capital and funding strength, our commercially disciplined approach, the stability of our team and our clarity of purpose all combine to give us competitive advantage, which enables us to avail of opportunities, while successfully navigating risks and volatility.

The strength and momentum in our businesses gives us confidence in the Group's prospects and in our ability to continue to focus on our duty to responsibly develop our profitable, long term franchises and better serve our customers, in a way that delivers attractive sustainable returns to our shareholders.

Richie Boucher
19 February 2016

Business Review

Governance

Financial Statements

Other Information

Operating and financial review

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Performance summary

	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Group performance on an underlying[1] basis		
Net interest income (before ELG fees)	2,454	2,358
Eligible Liabilities Guarantee (ELG) Scheme fees[2]	(10)	(37)
Other income (net)	828	653
Operating income (net of insurance claims)	3,272	2,974
Operating expenses (before Irish bank levy)	(1,783)	(1,635)
Irish bank levy	(38)	(38)
Operating profit before impairment charges on financial assets	**1,451**	**1,301**
Impairment charges on loans and advances to customers	(296)	(542)
Reversal of impairment charges on available for sale (AFS) financial assets	-	70
Share of results of associates and joint ventures (after tax)	46	92
Underlying[1] profit before tax	**1,201**	**921**
Total non-core items (page 27)	31	(1)
Profit before tax	**1,232**	**920**
Group performance (underlying[1])		
Net interest margin[3] (%)	2.19%	2.11%
Impairment charge (bps)	32	59
Return on assets[4] (bps)	72	61
Per unit of €0.05 ordinary stock		
Basic earnings per share (€ cent)	2.3	2.0
Underlying earnings per share (€ cent)	2.3	2.0
Tangible Net Asset Value per share (€ cent)	24	22
Divisional performance[5]		
Underlying[1] profit before tax		
Retail Ireland	507	328
Bank of Ireland Life	103	133
Retail UK	193	127
Retail UK (Stg£ million equivalent)	*140*	*103*
Corporate and Treasury	637	553
Group Centre and other (including ELG fees)	(239)	(220)
Underlying[1] profit before tax	**1,201**	**921**

[1] Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. See page 27 for further information.
[2] The Government Guarantee Scheme, the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (ELG Scheme) ended for all new liabilities on 28 March 2013. A fee is payable in respect of each liability guaranteed under the ELG Scheme until the maturity of the guaranteed deposit or term funding.
[3] The net interest margin is stated before ELG fees and after adjusting for IFRS income classifications.
[4] Return on assets is calculated as being statutory net profit (being profit after tax) divided by total assets, in line with the requirement in the European Union (Capital Requirements) Regulations 2014.
[5] For more details on the performance of each division see pages 39 to 59.

Performance summary (continued)

Balance sheet and key metrics	31 December 2015 €bn	31 December 2014 €bn
Total assets	131	130
Average interest earning assets (€bn)	109	109
Ordinary stockholders' equity	8.4	7.5
Total equity	9.1	8.7
Loans and advances to customers (after impairment provisions)	84.7	82.1
Non-performing loan volumes	12.0	15.8
Defaulted loan volumes	10.6	14.3
Customer deposits	80.2	74.8
Wholesale funding	14.2	19.9
- Wholesale market funding	*12.7*	*15.5*
- Drawings from Monetary Authorities	*1.5*	*4.4*
Liquidity		
Liquidity Coverage ratio[1]	108%	103%
Net Stable Funding ratio[2]	120%	114%
Loan to deposit ratio	106%	110%
Capital[3]		
Common equity tier 1 ratio - CRD IV fully loaded	11.3%	9.3%
Common equity tier 1 ratio - CRD IV transitional rules	13.3%	12.3%
Total capital ratio - CRD IV transitional	18.0%	15.8%
Risk weighted assets (€bn)	53.3	51.6

[1] The Group's Liquidity Coverage Ratio (LCR) is calculated based on the Commission Delegated Regulation (EU) 2015/61 which came into force on 1 October 2015. The comparative period has been restated and has been calculated on the same basis.

[2] The Group's Net Stable Funding Ratio (NSFR) is calculated based on the Group's interpretation of the Basel Committee on Banking Supervision October 2014 document.

[3] The CRD IV transitional Common equity tier 1 and Total capital ratios at 31 December 2014 have been restated to exclude the benefit of the 2009 Preference Stock which the Group derecognised from regulatory capital in November 2015 (see note 46). Including the benefit of the 2009 Preference Stock the CRD IV transitional Common equity tier 1 and Total capital ratios at 31 December 2014 were 14.8% and 18.3% respectively.

Basis of presentation

This operating and financial review is presented on an underlying basis. For an explanation of underlying see page 27.

Percentages presented throughout this document are calculated on the absolute underlying figures and so may differ from the percentage variances calculated on the rounded numbers presented, where the percentages are not measured this is indicated by n/m.

References to 'the State' throughout this document should be taken to refer to the Republic of Ireland, its Government and, where and if relevant, Government departments, agencies and local Government bodies.

Strategic report

- Bank of Ireland Group (the 'Group') is one of the largest financial services groups in Ireland with total assets of €131 billion as at 31 December 2015.
- The Group provides a broad range of banking and other financial services. These services include; current account and deposit services, overdrafts, term loans, mortgages, business and corporate lending, international asset financing, leasing, instalment credit, invoice discounting, foreign exchange facilities, interest and exchange rate hedging instruments, life assurance, pension and protection products. All of these services are provided by the Group in Ireland with selected services being offered in the UK and internationally.
- The Group generates the majority of its revenue from traditional lending and deposit taking activities as well as fees for a range of banking and transaction services.
- The Group operates an extensive distribution network of 244 branches and over 1,200 ATMs in the Republic of Ireland and access to c.11,600 branches and over 2,500 ATMs in the UK via the Group's relationship as financial services partner with the UK Post Office. The Group also has access to distribution in the UK via its partnership with the AA and also through a number of strategic intermediary relationships.
- The Group is organised into four trading divisions to effectively service its customers as follows: Retail Ireland, Bank of Ireland Life, Retail UK and Corporate & Treasury.
- The Group's central functions, through Group Centre, establish and oversee policies and provide and manage certain processes and delivery platforms for divisions. These Group central functions comprise Group Manufacturing, Group Finance, Group Credit & Market Risk, Group Governance Risk and Group Human Resources.

Retail Ireland
Retail Ireland offers a comprehensive range of banking products and related financial services to the personal and business markets including deposits, mortgages, consumer and business lending, credit cards, current accounts, money transmission services, commercial finance, asset finance and general insurance. Retail Ireland serves customers through a distribution network of branches, central support teams, ATMs and through Direct Channels (telephone, mobile and online).

Retail Ireland is managed through a number of business units namely Distribution Channels, Consumer Banking (including Bank of Ireland Mortgage Bank), Business Banking (including Bank of Ireland Finance) and Customer and Wealth Management.

Bank of Ireland Life
Bank of Ireland Life includes the Group's wholly owned subsidiary, New Ireland Assurance Company plc (NIAC). Through Bank of Ireland Life, the Group offers a wide range of life assurance, pension, investment and protection products to the Irish market through the Group's branch network, its financial advisors (direct sales force) and independent brokers.

Retail UK
The Retail UK Division's focus is on consumer banking in the UK, where we aim to provide simple, flexible, accessible financial services and products to customers both directly and through partnerships with trusted, respected UK brands and intermediaries. This incorporates the financial services partnership with the UK Post Office. Our customer offering includes savings, mortgages, foreign exchange, credit and travel cards, current accounts, personal loans and ATM services.

The financial services partnership with the AA in the UK was announced in July 2015 and extends our reach in the UK retail market through a new range of products focussing on credit cards, unsecured personal loans and savings.

We also have a UK residential mortgage business; a full service retail and commercial branch network in Northern Ireland; a motor and asset finance business under the Northridge brand in the UK; a business banking business in Great Britain (GB) which is being run-down, in accordance with the EU Restructuring Plan. The Retail UK division also includes the activities of Bank of Ireland (UK) plc, the Group's wholly owned UK licensed banking subsidiary.

Strategic report (continued)

Corporate and Treasury
Corporate and Treasury comprises the Group's Corporate Banking and Global Markets activities across the Republic of Ireland, UK and selected international jurisdictions. This division also incorporates IBI Corporate Finance and manages the Group's euro liquid asset bond portfolio.

Corporate Banking provides banking services to major corporations and financial institutions. The range of lending products provided includes overdraft and revolving credit facilities, term loans and project finance. Corporate Banking also includes the Group's acquisition finance business.

Global Markets transacts in a range of market instruments on behalf of both the Group itself and its customers. The activities include transactions in inter-bank deposits and loans, foreign exchange spot and forward contracts, options, financial futures, bonds, swaps, forward rate agreements and equity tracker products. In addition, Global Markets manages the Group's Liquid Asset portfolio.

IBI Corporate Finance advises publicly-quoted, private and semi-state companies across a variety of domestic and international transactions.

Group Centre
Our central Group functions are responsible for delivering services to each division and include Group Manufacturing, Group Finance, Group Credit & Market Risk, Group Governance Risk & Group Human Resources.

Strategic objectives
The Group's balance sheet, credit risk profile and funding profile have been substantially restructured in recent years, with a focus on the Group's core Republic of Ireland (RoI) market and selected international diversification. The Group is focused on building sustainable profitability by nurturing and developing its:

(i) strong customer and client relationships;
(ii) franchise positions in its core markets in Ireland;
(iii) access to an extensive distribution network, primarily through the UK Post Office (PO) and AA partnerships, and other strategic intermediaries; and
(iv) proven capabilities in acquisition finance.

In addition, the Group has an ongoing focus on the effective management of its portfolios that are challenged from a credit and / or pricing perspective.

The Group continues to invest in our people to support the achievement of our strategic objectives.

This strategy will enable the Group to deliver for its customers and create attractive, sustainable returns for our shareholders.

(a) Focus on RoI
A key focus of the Group's strategy is to further strengthen its core franchises in the RoI and to further develop its market positions by strengthening our customer offerings and distribution. The Group continues to be focused on being a market leader in its Consumer Banking, Business Banking, Wealth Management and Corporate Banking Ireland businesses. Building a sustainable bank for the future is our priority. A key tenet of this strategy is consolidating and enhancing our customer offerings and simplifying our processes to improve customer experience and the ability of staff to serve and support our customers.

(b) Selective international diversification
The Group's international businesses provide diversification from the Irish economy. The relationships with the UK Post Office, AA and other strategic intermediaries are key priorities, in addition to which the Group will continue to leverage our strong capabilities in acquisition finance, which has consistently provided profitable returns from exposure to assets in Europe and in the US. The Group carefully evaluates investments in these international markets, focusing on opportunities where there is potential for attractive returns.

(c) Funding model
The Group maintains a stable funding base with core loan portfolios substantially funded by customer deposits and term wholesale funding.

Staff
The professionalism, commitment and dedication of the Group's staff has been key to the progress made during the challenging conditions of the past several years and their continued support and commitment will underpin the successful implementation of the Group's strategy.

Distribution policy
The Group's aim is to have a sustainable dividend. The Group has an ambition to re-commence dividend payments in respect of financial year 2016, with the initial payment being made in the first half of 2017. The Group expects dividend payments to re-commence at a modest level, prudently and progressively building over time, towards a payout ratio of around 50% of sustainable earnings. The dividend level and the rate of progression will reflect, amongst other things, the strength of the Group's capital and capital generation, the Court's assessment of the growth and investment opportunities available, any capital the Group retains to cover uncertainties and any impact from the evolving regulatory and accounting environments.

Group income statement

Summary consolidated income statement on an underlying[1] basis

	Table	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m	Change %
Net interest income (before ELG fees)	1	2,454	2,358	4%
Eligible Liabilities Guarantee (ELG) fees	2	(10)	(37)	74%
Net other income	3	828	653	27%
Operating income (net of insurance claims)		**3,272**	**2,974**	**10%**
Operating expenses (before Irish bank levy)	4	(1,783)	(1,635)	(9%)
Irish bank levy	5	(38)	(38)	-
Operating profit before impairment charges on financial assets		**1,451**	**1,301**	**12%**
Impairment charges on loans and advances to customers	6	(296)	(542)	45%
Reversal of impairment charges on available for sale (AFS) financial assets		-	70	(100%)
Share of results of associates and joint ventures (after tax)		46	92	(50%)
Underlying[1] profit before tax		**1,201**	**921**	**30%**
Non-core items	7	31	(1)	n/m
Profit before tax		**1,232**	**920**	**34%**
Tax charge		(285)	(134)	n/m
Profit for the year		**947**	**786**	**21%**
Profit attributable to stockholders		940	786	20%
Profit attributable to non-controlling interests		7	-	100%
Profit for the year		**947**	**786**	**21%**
Key metrics				
Net interest margin (%)		2.19%	2.11%	
Impairment charge (bps)		32	59	
Additional gains		237	516	

[1] Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. See page 27 for further information.

Profit before tax was €1,232 million for the year ended 31 December 2015, an increase of €312 million or 34% compared to the previous year.

Underlying profit before tax was €1,201 million for the year ended 31 December 2015, an increase of €280 million or 30% on the previous year.

Total income was €3,272 million for the year ended 31 December 2015, up €298 million or 10% on the same period in 2014. Other income was €175 million higher than in 2014, primarily reflecting higher business income, higher gains arising on transfers from the available for sale reserve on asset disposal, gains on investment property disposals and revaluations and net gains from financial instrument valuation adjustments. Net interest income (before ELG fees) has increased by €96 million compared to 2014 reflecting the expansion of the net interest margin to 2.19% from 2.11% and the impact of foreign exchange, partially offset by marginally lower average interest earning assets. The Group has also benefited from lower ELG fees, which have reduced by €27 million compared to the previous year.

Impairment charges on loans and advances to customers reduced to €296 million for the year ended 31 December 2015, compared to €542 million in 2014. This reduction reflects the strong performance of the Group's loan portfolios, the continued reduction in Non-performing loans, together with actions the Group is taking to appropriately and sustainably support customers who are in financial difficulty and improvements in the economic environment in the countries in which the Group operates.

Income from associates and joint ventures reduced to €46 million for the year ended 31 December 2015 compared to €92 million for the previous year. The reduction was primarily due to gains in 2014 relating to the disposals of an international investment property and venture capital investments which were not repeated in the current year.

Summary consolidated income statement on an underlying[1] basis (continued)

Underlying profit before tax for the year ended 31 December 2015 includes additional gains of €237 million arising on transfers from the available for sale reserve on asset disposal, primarily relating to gains of €173 million crystallised from the sale of sovereign bonds as part of a rebalancing of the Group's liquid asset portfolio and gains of €34 million on other financial instruments. Gains on investment property disposals and revaluations of €30 million were also recognised.

In 2014 the Group recognised additional gains of €516 million including a gain arising from changes in the RoI mortgages collective provisioning assumptions (c.€280 million), the reversal of an impairment charge related to NAMA subordinated debt (€70 million), gains crystallised as part of a rebalancing of our liquid asset portfolio (c.€137 million) and a gain on the sale of an international investment property (€29 million).

Non-core items are a net gain of €31 million for the year ended 31 December 2015, primarily reflecting the gain on the disposal of the Group's share of the UK Post Office insurance business compared to a net charge of €1 million for the year ended 31 December 2014. For details of non-core items see page 27.

Operating income (net of insurance claims)

Net interest income

TABLE: 1

Net interest income / net interest margin	**Year ended 31 December 2015 €m**	Year ended 31 December 2014 €m	Change %
Net interest income (before ELG fees)	2,454	2,358	4%
IFRS income classifications[1]	(83)	(53)	(56%)
Net interest income (before ELG fees) after IFRS income classifications	**2,371**	**2,305**	**3%**
Average interest earning assets (€bn)			
Loans and advances to customers	85	84	1%
Other interest earning assets	24	25	(4%)
Total average interest earning assets	**109**	**109**	**-**
Net interest margin	**2.19%**	**2.11%**	
Gross yield - customer lending[2]	3.53%	3.60%	
Gross yield - liquid assets[2]	1.12%	1.65%	
Gross yield - interest bearing liabilities and current accounts[2]	(0.85%)	(1.09%)	
Average ECB base rate	0.05%	0.16%	
Average 3 month Euribor rate	(0.02%)	0.21%	

[1] *The period on period changes in 'net interest income' and 'net other income' are affected by certain IFRS income classifications. Under IFRS, certain assets and liabilities can be designated at 'fair value through profit or loss' (FVTPL). Where the Group has designated liabilities at 'fair value through profit or loss', the total fair value movements on these liabilities, including interest expense, are reported in 'net other income'. However, the interest income on any assets which are funded by these liabilities is reported in the 'net interest income'. In addition, assets are purchased and debt is raised in a variety of currencies and the resulting foreign exchange and interest rate risk is economically managed using derivative instruments - the cost of which is reported in 'net other income'. To enable a better understanding of underlying business trends, the impact of these IFRS income classifications is shown in the table above.*

[2] *Gross yield represents the interest income or expense recognised net of interest on derivatives which are in a hedge relationship with the relevant asset or liability.*

Net interest income (before ELG fees), after IFRS income classifications, of €2,371 million for the year ended 31 December 2015 has increased by €66 million or 3% compared to the previous year.

The Group's average net interest margin has increased by 8 basis points to 2.19% for the year ended 31 December 2015 from 2.11% for the year ended 31 December 2014.

The average net interest margin was 2.17% in H2 2015 as compared to an average net interest margin of 2.21% in H1 2015.

Notwithstanding the low interest rate environment the Group has maintained strong margin discipline while continuing to make progress on reducing funding costs across all portfolios.

The Group earned net interest income on its liquid asset portfolio of €263 million in the year ended 31 December 2015, down from €414 million compared to the previous year. The decrease is primarily due to the lower earnings yields on available for sale liquid assets and cash balances and the impact of the rebalancing of the liquid asset portfolio. ECB rate cuts in 2014 and falling Euribor rates are also impacting earnings on Irish tracker mortgages and certain SME / corporate lending. In H1 2014, net interest income on the liquid asset portfolio included a gain from re-estimating the timing of cash flows on NAMA senior bonds of €13 million.

The stability in average interest earning assets is due to the Group's successful actions to reduce the level of defaulted assets, the redemption of NAMA senior bonds and the rebalancing of the liquid asset portfolio substantially offset by the strengthening of the sterling exchange rate against the euro.

Eligible Liabilities Guarantee (ELG) fees

TABLE: 2 ELG	Year ended 31 December 2015	Year ended 31 December 2014	Change %
ELG fees (€m)	10	37	(74%)
Covered liabilities (at period end) (€bn)	1	3	(78%)
Average fee during period (%)	1.25%	1.01%	19%

ELG fees of €10 million for the year ended 31 December 2015 are €27 million lower than the previous year. Total liabilities covered by the ELG Scheme reduced from €3 billion at 31 December 2014 to €0.7 billion at 31 December 2015. The ELG Scheme ended for all new liabilities on 28 March 2013. The cost of the ELG Scheme will continue to reduce in line with the maturity of covered liabilities. Final maturity of the covered liabilities is expected by December 2017.

Net other income

TABLE: 3 Net other income	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m	Change %
Net other income	828	653	27%
IFRS income classifications[1]	83	53	56%
Net other income after IFRS income classifications	**911**	**706**	**29%**

[1] *The period on period changes in 'net interest income' and 'net other income' are affected by certain IFRS income classifications. Under IFRS, certain assets and liabilities can be designated at 'fair value through profit or loss' (FVTPL). Where the Group has designated liabilities at 'fair value through profit or loss', the total fair value movements on these liabilities, including interest expense, are reported in 'net other income'. However, the interest income on any assets which are funded by these liabilities is reported in the 'net interest income'. In addition, assets are purchased and debt is raised in a variety of currencies and the resulting foreign exchange and interest rate risk is economically managed using derivative instruments – the cost of which is reported in 'net other income'. To enable a better understanding of underlying business trends, the impact of these IFRS income classifications is shown in the table above.*

Net other income (continued)

Net other income after IFRS income classifications	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m	Change %
Business income[1]			
Retail Ireland	331	320	3%
Bank of Ireland Life	154	145	6%
Retail UK	9	9	-
Corporate and Treasury	153	152	1%
Group Centre and other	(21)	(34)	(38%)
Total business income	**626**	**592**	**6%**
Other gains			
Transfer from available for sale reserve on asset disposal	207	192	7%
- Sovereign bonds	*173*	*177*	*(2%)*
- Other financial instruments	*34*	*15*	*n/m*
Gain on disposal and revaluation of investment properties	30	13	n/m
Other valuation items			
Financial instrument valuation adjustments (CVA, DVA, FVA)[2] and other	50	(101)	n/m
Fair value movement on Convertible Contingent Capital Note (CCCN) embedded derivative	(17)	(31)	44%
Investment variance - Bank of Ireland Life	11	17	(35%)
Economic assumptions - Bank of Ireland Life	4	24	(83%)
Net other income after IFRS income classifications	**911**	**706**	**29%**

[1] *Business income is net other income after IFRS income classifications before other gains and other valuation items as set out in the table above.*
[2] *Credit Valuation Adjustment (CVA); Debit Valuation Adjustment (DVA); Funding Valuation Adjustment (FVA).*

Net other income, after IFRS income classifications, for the year ended 31 December 2015 was €911 million, an increase of €205 million on the previous year.

Business income for the year ended 31 December 2015 compares to the previous year as follows;

- business income in Retail Ireland, which includes personal and business current account fees, foreign exchange income, interchange income on credit and debit cards and insurance income, is €331 million in 2015, a 3% increase when compared to 2014;
- other income in Bank of Ireland Life of €154 million increased by €9 million reflecting an increase in existing business profits during the year. Total operating income in Bank of Ireland Life has remained stable at €188 million in the year ended 31 December 2015 when compared to the previous year (see page 44);
- business income in Retail UK, which includes transactional banking fees and interchange income on credit cards less commissions payable to strategic partners, is €9 million in 2015 and is broadly unchanged compared to the previous year;
- business income in Corporate and Treasury of €153 million has increased marginally compared to the previous year; and
- other net charges in Group Centre are €21 million for the year ended 31 December 2015 compared to €34 million in 2014.

Other gains within net other income are as follows:

- a gain of €207 million relating to transfers from the AFS reserve on asset disposals for the year ended 31 December 2015 compared to a gain of €192 million in the previous year. These gains mainly arose from the sale of sovereign bonds as part of a rebalancing of the Group's liquid asset portfolio; and
- a gain of €30 million relating to the disposal and revaluation of investment properties compared to a gain of €13 million in 2014.

Other valuation items within net other income are as follows:

- a gain of €50 million due to valuation adjustments on financial instruments (CVA, DVA, FVA) and other compared to a charge of €101 million in the previous year influenced by changing medium to long-term euro and sterling interest rates;
- a charge of €17 million due to the accounting impact of fair value movements on the derivative embedded in the Convertible Contingent Capital Note (CCCN) during the year ended 31 December 2015 compared to a charge of €31 million in the previous year. The CCCN has a fixed maturity date of July 2016;
- a positive investment variance of €11 million in Bank of Ireland Life in the year ended 31 December 2015 reflecting positive movements in investment markets during the year. This compares to a positive investment variance of €17 million in 2014; and
- a gain of €4 million relating to economic assumption changes in Bank of Ireland Life in 2015, with swap rates increasing marginally and spreads broadly remaining the same, compared to a gain of €24 million in 2014.

Operating expenses (before Irish bank levy)

TABLE: 4 Operating expenses (before Irish bank levy)	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m	Change %
Staff costs (excluding pension costs)	736	685	7%
Pension costs	158	138	14%
Other costs	852	778	10%
Operating expenses (before regulatory costs and Irish bank levy)	**1,746**	**1,601**	**9%**
Regulatory costs	37	34	8%
- Financial Services Compensation Scheme (FSCS) costs	*15*	*18*	*(17%)*
- Bank and Investment Firm Resolution (BIFR) fund costs	*7*	*-*	*n/m*
- Other regulatory fees and levies	*15*	*16*	*(6%)*
Operating expenses (before Irish bank levy)	**1,783**	**1,635**	**9%**
Staff numbers at period end	**11,145**	**11,086**	
Average staff numbers during the period	**11,302**	**11,292**	

Operating expenses (before regulatory costs and Irish bank levy) of €1,746 million for the year ended 31 December 2015 were €145 million or 9% higher compared to the previous year. The weakening of the euro against sterling and the US dollar has been a key factor during 2015 and accounted for €41 million of this increase.

The Group has continued its focus on tight cost control during the year. Excluding the currency impact of €41 million, total operating costs have increased by 6% or €104 million due to ongoing investment in our people, higher pension costs, growing our business, investment in technology and the impact of additional costs for compliance with regulatory expectations.

Staff costs (excluding pension costs) of €736 million for the year ended 31 December 2015 are €51 million higher than the previous year, €36 million higher on a constant currency basis. During 2014, the Group introduced a new career and reward framework for all employees, part of this framework provided for a salary increase of 1.75% effective July 2014, and a further 2% paid from January 2015. This payment applied to the vast majority of the Group's employees. The average number of staff employed by the Group has remained broadly static at an average of 11,302 in the year ended 31 December 2015 and 11,292 in 2014. Staff numbers at 31 December 2015 were 11,145.

The Group has announced salary increases, linked to performance reviews, averaging 2.2% in 2016 and 2.6% in 2017.

Pension costs of €158 million for the year ended 31 December 2015 were €20 million higher than 2014. This is primarily as a result of higher defined benefit costs due to higher service cost, partially offset by a reduction in the interest cost. In addition there was an increase in the cost of defined contribution schemes introduced as part of the pension restructuring initiatives in 2013 and 2014.

Other costs including technology, property, outsourced services and other non-staff costs were €852 million for the year ended 31 December 2015 compared with €778 million in 2014. The strengthening of sterling increased costs by €26 million or 3%. Additionally, there has been net investment of €48 million in strategic initiatives including new distribution channels, technology, customer acquisition and improved propositions as well as increased costs associated with compliance with regulatory expectations, partially offset by cost savings and efficiencies.

Regulatory costs

FSCS costs of €15 million for the year ended 31 December 2015 were lower than the charge for 2014 due to a reduction in the overall outstanding balance of costs incurred in relation to failing UK banks during the financial crisis.

The Group also incurred costs of €7 million in relation to the **BIFR fund**, which is newly established under the Bank Recovery and Resolution Directive (BRRD), to which the Group is obligated to contribute in proportion to its eligible liabilities. The Group's 2015 contribution will transfer to the EU Single Resolution Fund in 2016.

The Group expects an increase in regulatory costs in 2016 in the range of €40-45 million, primarily driven by additional contributions to the EU Single Resolution Fund as well as anticipated contributions to the newly established Deposit Guarantee Scheme fund.

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Irish bank levy

TABLE: 5

Irish bank levy	**Year ended 31 December 2015 €m**	Year ended 31 December 2014 €m	Change %
Bank levy costs	38	38	-

The Group incurred a cost of €38 million for the year ended 31 December 2015 compared to €38 million in 2014.

The levy is in the form of a stamp duty which applies for the years 2014 to 2016. The charge is calculated as 35% of the Deposit Interest Retention Tax (DIRT) paid by each relevant financial institution in respect of 2011. An income statement charge is recognised annually on the date on which all of the criteria set out in the legislation are met. The levy is payable on 20 October 2014, 2015 and 2016.

The budget announcement in October 2015 indicated that the bank levy, which was due to expire in 2016, will now be extended to 2021. The method used to calculate the levy will be subject to review but there is currently no detail on how this method may change.

Impairment charges / (reversals) on loans and advances to customers

TABLE: 6

Impairment charges / (reversals) on loans and advances to customers	**Year ended 31 December 2015 €m**	Year ended 31 December 2014 €m	Change %
Residential mortgages	(96)	(148)	35%
- Retail Ireland	*(84)*	*(140)*	*40%*
- Retail UK	*(12)*	*(8)*	*(50%)*
Non-property SME and corporate	149	218	(32%)
- Republic of Ireland SME	*86*	*127*	*(32%)*
- UK SME	*(2)*	*17*	*n/m*
- Corporate	*65*	*74*	*(12%)*
Property and construction	246	451	(45%)
- Investment	*173*	*307*	*(44%)*
- Land and development	*73*	*144*	*(49%)*
Consumer	(3)	21	n/m
Total impairment charges / (reversals) on loans and advances to customers	**296**	**542**	**(45%)**
Impairment charges (bps)	32	59	(46%)

Impairment charges on loans and advances to customers of €296 million for the period ended 31 December 2015 were €246 million or 45% lower than the previous year. The impairment charges for the previous year incorporated an estimated €280 million net reduction in collective impairment provisions for Retail Ireland mortgages, reflecting the combined impact of the updated collective provisioning model parameters and assumptions and improved portfolio performance and economic conditions in 2014.

The significant reduction in impairment charges for 2015 reflects the strong performance of the Group's loan portfolios, the continued reductions in both non-performing and defaulted loans, and improvements in the economic environment in the countries in which the Group's portfolios are located.

The significant reductions in both non-performing and defaulted loans reflect our ongoing progress with resolution strategies that include appropriate and sustainable support to viable customers who are in financial difficulty.

Impairment charges across all of the Group's asset classes were lower in 2015 as compared to the previous year.

The impairment reversal on **Residential mortgages** of €96 million for the year ended 31 December 2015 compares to an impairment reversal of €148 million in the previous year.

The impairment reversal on the Retail Ireland mortgage portfolio of €84 million for the year ended 31 December 2015 compares to an impairment reversal of €140 million in the previous year. The

Impairment charges / (reversals) on loans and advances to customers (continued)

Retail Ireland mortgage impairment reversal in 2014 incorporated an estimated €280 million net reduction in collective impairment provisions, reflecting the combined impact of the updated collective provisioning model parameters and assumptions and improved portfolio performance and economic conditions in 2014. The Retail Ireland mortgage impairment reversal is lower in the current year compared to the previous year due to the more impactful update of the collective provisioning model parameters and assumptions in 2014.

The impairment reversal in the current year reflects improvements in book performance, in particular lower default rates and higher cures on foot of resolution activity, and improved economic conditions. Retail Ireland mortgage default arrears reduced significantly in 2015 in both the Owner occupied and Buy to let market segments. Retail Ireland mortgage default arrears are at their lowest level, in terms of reporting periods, since December 2011, and have reduced by over 40% from peak levels in 2013.

The impairment charge on the **Non-property SME and corporate** loan portfolio of €149 million for the year ended 31 December 2015 has decreased by €69 million or 32% from the previous year. Impairment charges have reduced across each of the Group's non-property portfolios, reflecting improved macroeconomic and trading conditions in both the domestic Irish and international markets.

The impairment charge on the **Property and construction** loan portfolio of €246 million for the year ended 31 December 2015 has decreased by €205 million or 45% from the previous year. The impairment charge on the Investment property element of the Property and construction portfolio was €173 million for the year ended 31 December 2015 compared to €307 million in the previous year. Lower impairment charges reflect the continued recovery in investment property markets in both RoI and the UK. Similar to the Non-property SME and corporate portfolio, current year impairment charges relate to individual case specific events and continued resolution activity. Significantly lower impairment charges on the Land and development element of the Property and construction portfolio reflects the already substantially provisioned nature of this portfolio.

The impairment reversal of €3 million on **Consumer** loans for the year ended 31 December 2015 reflects the benefits of the recovery in macroeconomic conditions, and thus lower levels of default and higher cures particularly in the Retail Ireland Consumer portfolios.

Reversal of impairment charge on available for sale financial assets

At the balance sheet date the Group held €281 million (nominal value) of subordinated bonds issued by the National Asset Management Agency (NAMA).

There was no impairment charge on available for sale financial assets for the year ended 31 December 2015.

During the year ended 31 December 2014, the Group recognised a gain of €70 million following the reversal of a previously recognised impairment. This followed NAMA's updated outlook for its long-term performance and its payment of a discretionary coupon on these bonds. The Group updated its valuation of the bonds to 96% of their nominal value at 31 December 2015 from 83% at 31 December 2014, the increase in the valuation has been recognised in other comprehensive income.

Non-core items

Underlying performance excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. The Group has treated the following items as non-core:

TABLE: 7

Non-core items	**Year ended 31 December 2015 €m**	Year ended 31 December 2014 €m	Change %
Gain / (loss) on disposal / liquidation of business activities	51	(4)	n/m
Cost of restructuring programme	(43)	(56)	24%
Gain / (charge) arising on the movement in the Group's credit spreads	11	(10)	n/m
Gross-up for policyholder tax in the Life business	11	14	(19%)
Impact of changes to pension benefits in the Group sponsored defined benefit schemes	4	93	(96%)
Payments in respect of the career and reward framework	(2)	(32)	92%
Loss on liability management exercises	(1)	(5)	78%
Investment return on treasury stock held for policyholders	-	(1)	100%
Total non-core items	**31**	**(1)**	**n/m**

Gain / (loss) on disposal / liquidation of business activities
A gain of €51 million was recognised in the year ended 31 December 2015 compared with a loss of €4 million during the year ended 31 December 2014.

On 30 September 2015, the UK Post Office exercised a pre-existing option to acquire the Group's interest in the Post Office insurance business in the UK. The Group recognised a gain of €57 million as a result of this transaction.

Separately, a loss of €6 million was recognised during the year primarily relating to the recycling of cumulative unrealised foreign exchange gains and losses through the income statement following the liquidation of a subsidiary with a US dollar functional currency.

The loss of €4 million recognised in the year ended 31 December 2014 primarily related to the disposal of the ICS mortgage platform.

Cost of restructuring programme
During the year ended 31 December 2015, the Group recognised a charge of €43 million in relation to its restructuring programme, primarily related to changes in employee numbers. A restructuring charge of €56 million was incurred in the previous year.

Gain / (charge) arising on the movement in the Group's credit spreads
A gain of €11 million was recognised in the year ended 31 December 2015 compared with a charge of €10 million during the year ended 31 December 2014. This gain arises from the 'pull to par' effect of cumulative losses reversing over time on the Group's structured deposits that are accounted for at 'fair value through profit or loss'. This is offset by the narrowing in credit spreads. These Group liabilities consist of certain structured senior and covered debt and tracker deposits. These charges do not impact the Group's regulatory capital.

Gross-up for policyholder tax in the Life business
Accounting standards require that the income statement be grossed up in respect of the total tax payable by Bank of Ireland Life, comprising both policyholder and stockholder tax. The tax gross-up relating to policyholder tax is included within non-core items.

Impact of changes to pension benefits in the Group sponsored defined benefit schemes
A gain of €4 million was recognised for the year ended 31 December 2015, reflecting the impact of changes in pension benefits implemented as part of the 2013 Pension Review (year ended 31 December 2014: €93 million).

Payments in respect of the career and reward framework
During the year ended 31 December 2014, the Group agreed a new career and reward framework, across the Group, giving transparency and flexibility around change and career development in the Group and consequently a change to certain historical employment contracts and practices. In recognition of the career and reward framework implementation virtually all staff accepted a once off payment. This resulted in a charge of €32 million for the year ended 31 December 2014 with a further €2 million recognised in the year ended 31 December 2015.

Loss on liability management exercises
A loss of €1 million on liability management exercises was recognised in the year ended 31 December 2015 compared with a loss of €5 million in the previous year, reflecting the repurchase of certain Group debt securities.

Investment return on treasury stock held for policyholders
Under accounting standards, the Group income statement excludes the impact of the change in value of Bank of Ireland stock held by Bank of Ireland Life for policyholders. There was no charge in the

Non-core items (continued)

year ended 31 December 2015, compared to a charge of €1 million in 2014. Units of stock held by Bank of Ireland Life for policyholders at 31 December 2015 were 18 million units (31 December 2014: 17 million units).

Taxation

The taxation charge for the Group was €285 million for the year ended 31 December 2015 compared to a taxation charge of €134 million in the previous year. On an underlying basis, the effective taxation rate was 22% for the year ended 31 December 2015 (year ended 31 December 2014: 13%). By further excluding the impact of the reassessment of the value of the tax losses carried forward (refer to note 2(b) on page 201) and the impact on deferred tax of the reduction in the UK corporation rate to 18% with effect from 1 April 2020, the effective tax rate for the year ended 31 December 2015 reduces to 16% (taxation charge) compared to the comparable rate for the previous year of 13% (taxation charge). The effective tax rate is influenced by changes in the geographic mix of profits and losses. As set out in note 18 on page 218, the deferred tax asset has reduced by €116 million in the year due to the utilisation of brought forward trading losses against current year taxable profits which reduces the amount of tax payable on those profits.

Group balance sheet

The following tables show the composition of the Group's balance sheet including the key sources of the Group's funding and liquidity.

Summary consolidated balance sheet

Summary consolidated balance sheet	Table	31 December 2015 €bn	31 December 2014 €bn	Change %
Loans and advances to customers (after impairment provisions)		85	82	3%
Liquid assets	8	24	25	(5%)
Bank of Ireland Life assets		16	16	3%
Other assets	11	6	7	(11%)
Total assets		**131**	**130**	**1%**
Customer deposits	9	80	75	7%
Wholesale funding	10	14	20	(29%)
Bank of Ireland Life liabilities		16	16	3%
Other liabilities	11	10	8	8%
Subordinated liabilities	12	2	2	(2%)
Total liabilities		**122**	**121**	**1%**
Stockholders' equity	13	8	9	(5%)
Other equity instruments	14	1	-	100%
Total liabilities and stockholders' equity		**131**	**130**	**1%**
Liquidity coverage ratio[1]		108%	103%	
Net stable funding ratio[2]		120%	114%	
Loan to deposit ratio		106%	110%	
Common equity tier 1 ratio - CRD IV fully loaded		11.3%	9.3%	
Common equity tier 1 ratio - CRD IV transitional rules[3]		13.3%	12.3%	
Total capital ratio - CRD IV transitional[3]		18.0%	15.8%	

[1] The Group's Liquidity Coverage Ratio (LCR) is calculated based on the Commission Delegated Regulation (EU) 2015/61 which came into force on 1 October 2015. The comparative period has been restated and has been calculated on the same basis.
[2] The Group's Net Stable Funding Ratio (NSFR) is calculated based on the Group's interpretation of the Basel Committee on Banking Supervision October 2014 document.
[3] The CRD IV transitional Common equity tier 1 and Total capital ratios at 31 December 2014 have been restated to exclude the benefit of the 2009 Preference Stock which the Group derecognised from regulatory capital in November 2015 (see note 46). Including the benefit of the 2009 Preference Stock the CRD IV transitional Common equity tier 1 and Total capital ratios at 31 December 2014 were 14.8% and 18.3% respectively.

Loans and advances to customers

The Group's **loans and advances to customers (after impairment provisions)** of €85 billion have increased by €2.6 billion or 3% since 31 December 2014. On a constant currency basis, loans and advances to customers have increased by €0.1 billion during the year ended 31 December 2015.

Gross new lending of c.€14.2 billion was €4.2 billion or 42% higher than 2014 which reflects increased lending primarily in mortgages and business banking in the Republic of Ireland, UK mortgages and Corporate Banking. It also reflects that during 2015, the Group completed a number of portfolio and asset acquisitions consistent with its strategy of growing volumes within its product and risk appetite. This included the purchase of a portfolio of performing Residential mortgages from the Irish Bank Resolution Corporation Limited (in Special Liquidation), a portfolio of performing commercial loans from Danske Bank A/S and a portfolio of performing commercial loans from Lloyds Banking Group plc.

Redemptions and repayments totalled c.€13.9 billion, of which the Group's success in progressing (through resolution or cure) a significant volume of defaulted assets, redemptions in the RoI mortgage tracker book and redemptions as part of the run-down of the GB business banking / GB corporate banking book together accounted for c.€3.6 billion of this figure.

The composition of the Group's loans and advances to customers by portfolio and by division for the year ended 31 December 2015 was broadly consistent with 31 December 2014.

Non-performing loans of €12.0 billion at 31 December 2015 have decreased by €3.8 billion or 24% compared to 31 December 2014. The decrease has occurred across all portfolios and is reflective of the actions that the Group is taking to appropriately and sustainably support customers who are in financial difficulty, the improving economic climate, increasing liquidity and improving property market conditions.

The stock of impairment provisions on loans and advances to customers of €5.9 billion has decreased by €1.5 billion since 31 December 2014 (€1.6 billion on a constant currency basis). The Non-performing loans provision coverage ratio at 31 December 2015 is 49% (31 December 2014: 47%).

Further analysis and commentary on changes in the loan portfolios, asset quality and impairment is set out in the asset quality and impairment section of the Risk Management Report, see pages 74 to 100.

Liquid assets

TABLE: 8

Liquid assets	**31 December 2015 €bn**	31 December 2014 €bn
Cash at banks	4	4
Cash and balances at Central Banks	7	5
- Bank of England	*5*	*4*
- Central Bank of Ireland	*1*	*1*
- US Federal Reserve	*1*	*-*
Government bonds	8	8
- Available for sale	*6*	*8*
- Held to maturity	*2*	*-*
NAMA senior bonds	1	2
Covered bonds	2	3
Senior bank bonds and other	2	3
	24	**25**

The Group's portfolio of liquid assets of c.€24 billion has decreased by c.€1.2 billion since 31 December 2014, primarily reflecting redemptions of NAMA senior bonds of €1 billion, decreases in the holding of sovereign bonds of €0.7 billion and in the holdings of covered and other bonds of €0.9 billion, partially offset by increases in cash at banks and in balances with central banks of €1.3 billion.

During the year ended 31 December 2015, gains of €207 million relating to transfers from the available for sale reserve on asset disposals were recognised in the income statement. These gains primarily arose from the sale of sovereign bonds and are included in net other income, see page 23.

Further analysis of the Group's holdings of sovereign and other bonds is set out on pages 348 to 357.

Customer deposits

TABLE: 9

Customer deposits	**31 December 2015 €bn**	31 December 2014 €bn
Retail Ireland	39	37
- Deposits	*22*	*22*
- Current account credit balances	*17*	*15*
Retail UK	29	26
Retail UK (Stg£bn equivalent)	22	20
- UK Post Office	*17*	*16*
- Other Retail UK	*5*	*4*
Corporate and Treasury	12	12
Total customer deposits	**80**	**75**
Loan to deposit ratio	**106%**	**110%**
Deposits covered by ELG Scheme	1	1

The Group's customer deposit strategy is to:

- maintain and grow its stable retail customer deposit base in Ireland and the UK, in line with balance sheet requirements;
- prudently manage deposit pricing and margins; and
- optimise stable funding levels in line with Basel III / CRD IV specifications.

Group customer deposits (including current accounts with credit balances) have increased by €5.3 billion to €80.2 billion since 31 December 2014 due to increases in Retail UK (€3.5 billion) and Retail Ireland (€2.4 billion), partially offset by a decrease in Corporate and Treasury of €0.6 billion. On a constant currency basis, Group customer deposits increased by €3.3 billion.

In the Retail Ireland Division, customer deposits of €39 billion at 31 December 2015 have increased by €2.4 billion since 31 December 2014, with current account credit balance growth of €2.8 billion, partially offset by a modest decline in other deposits of €0.4 billion.

Balances in Retail UK increased by £1.5 billion to £22 billion for the year ended 31 December 2015. Deposit balances originated through the Post Office network increased by £1.1 billion to £17.1 billion driven by sales of Fixed Rate Bonds and ISA products. Other Retail UK balances, including balances originated through the Group's Northern Ireland branch network have increased by £0.4 billion.

Deposits decreased by €0.6 billion in the Corporate and Treasury division.

Customer deposits of €80.2 billion for the year ended 31 December 2015 (31 December 2014: €75 billion) do not include €1.9 billion (31 December 2014: €2.3 billion) of savings and investment products sold by Bank of Ireland Life. These products have fixed terms (typically five years) and consequently are an additional source of stable retail funding for the Group.

The Group's Loan to deposit ratio (LDR) improved by 4% to 106% for the year ended 31 December 2015.

The Group's customer deposits are covered by the Irish Deposit Guarantee Scheme in Ireland, the UK Financial Services Compensation Scheme in respect of deposits issued by Bank of Ireland (UK) plc, and the ELG Scheme in respect of eligible term deposits issued on or before the termination of the ELG Scheme and still outstanding.

At 31 December 2015, the majority of personal and SME customer deposits continue to be covered under the deposit protection schemes, while deposit balances covered by the ELG Scheme reduced to €0.7 billion during the year ended 31 December 2015.

Wholesale funding

TABLE: 10

Wholesale funding sources	**31 December 2015 €bn**	**31 December 2015 %**	31 December 2014 €bn	31 December 2014 %
Secured funding	10	69%	14	72%
- ECB Monetary Authority	*1*	*11%*	*4*	*22%*
- Covered bonds	*6*	*42%*	*6*	*31%*
- Securitisations	*3*	*16%*	*3*	*13%*
- Private market repo	*-*	*1%*	*1*	*6%*
Unsecured funding	4	31%	6	28%
- Senior debt	*3*	*25%*	*5*	*23%*
- Bank deposits	*1*	*6%*	*1*	*5%*
Total wholesale funding	**14**	**100%**	**20**	**100%**
Wholesale market funding < 1 year to maturity	2	16%	8	48%
Wholesale market funding > 1 year to maturity	11	84%	8	52%
ECB Monetary Authority funding < 1 year to maturity	1	-	3	-
ECB Monetary Authority funding > 1 year to maturity	-	-	1	-
Wholesale funding covered by ELG Scheme	-	-	2	-
Liquidity metrics				
Liquidity Coverage Ratio[1]		108%		103%
Net Stable Funding Ratio[2]		120%		114%
Loan to deposit ratio		106%		110%

[1] *The Group's Liquidity Coverage Ratio (LCR) is calculated based on the Commission Delegated Regulation (EU) 2015/61 which came into force on 1 October 2015. The comparative period has been restated and has been calculated on the same basis.*
[2] *The Group's Net Stable Funding Ratio (NSFR) is calculated based on the Group's interpretation of the Basel Committee on Banking Supervision October 2014 document.*

The Group's wholesale funding requirement of €14 billion has decreased by c.€5.7 billion since 31 December 2014 primarily related to the impact of:

- higher customer deposits (c.€5.3 billion); and
- the issuance of AT1 securities of €750 million.

During the year ended 31 December 2015, the Group accessed the term debt markets issuing:

- €750 million of Irish Mortgage Asset Covered Securities (ACS debt) in a five-year transaction in January 2015 at 20 basis points over mid swaps;
- €750 million five-year senior unsecured debt in March 2015 at 100 basis points over mid swaps;
- €1 billion of Irish Mortgage ACS debt in a seven-year transaction in May 2015 at 5 basis points over mid swaps; and
- €750 million of Irish Mortgage ACS debt in a five-year transaction in October 2015 at 33 basis points over mid swaps.

The Group's funding from Monetary Authorities of €1.5 billion at 31 December 2015 has decreased by c.€2.9 billion since 31 December 2014. All ECB Monetary Authority funding is drawn under the Targeted Longer Term Refinancing Operation (TLTRO).

At 31 December 2015, €10.7 billion or 75% of wholesale funding had a term to maturity of greater than one year (31 December 2014: €9.5 billion or 48%). The increase since 31 December 2014 relates to the maturity during 2015 of borrowings via the ECB's Long Term Repo Operations (LTRO) and the new term issuances during the year. Wholesale funding (excluding ECB Monetary Authority funding) with a maturity of less than one year was €2 billion (31 December 2014: €8 billion) of which €0.5 billion is secured.

All wholesale funding guaranteed under the ELG Scheme as at 31 December 2014 (c.€1.9 billion) matured during the year ended 31 December 2015.

The Group's Liquidity Coverage Ratio (LCR) was 108% at 31 December 2015 (31 December 2014: 103% (restated)). Based on the Group's interpretation of the final Basel standard, the Group's Net Stable Funding Ratio (NSFR) was 120% at 31 December 2015 (31 December 2014: 114%).

The Group's Loan to Deposit ratio decreased from 110% at 31 December 2014 to 106% at 31 December 2015.

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Other assets and other liabilities

TABLE: 11

Other assets and other liabilities	**31 December 2015 €bn**	31 December 2014 €bn
Other assets	6.1	7.0
- Derivative financial instruments	*3.1*	*3.7*
- Net deferred tax asset	*1.4*	*1.6*
- Other assets	*1.6*	*1.7*
Other liabilities	9.5	8.2
- Derivative financial instruments	*3.6*	*4.0*
- 2009 Preference Stock	*1.4*	-
- Pension deficit	*0.7*	*1.0*
- Other liabilities	*3.8*	*3.2*

Other assets at 31 December 2015 include **derivative financial instruments** with a positive fair value of €3.1 billion compared to a positive fair value of €3.7 billion at 31 December 2014. Other liabilities at 31 December 2015 include **derivative financial instruments** with a negative fair value of €3.6 billion compared to a negative fair value of €4.0 billion at 31 December 2014. The movement in the fair value of derivative assets and derivative liabilities is due to the impact of the movements in foreign exchange rates (particularly the euro / sterling exchange rate) and in interest rates during the year ended 31 December 2015.

At 31 December 2015, the Group's **net deferred tax asset** was €1.4 billion. This compares to a balance of €1.6 billion at 31 December 2014 with €116 million of the deferred tax asset being utilised against profits in the period offset by the impact of a strengthening sterling and movements in reserves. The net deferred tax asset of €1.4 billion at 31 December 2015 includes an amount of €1.4 billion in respect of trading losses which are available to relieve future profits from tax. Of these losses, €1.2 billion relates to Irish tax losses and €0.2 billion relates to UK tax losses. For further details on movements in the net deferred tax asset in the year see note 41 on page 241.

On 23 November 2015, the Group announced that it would exercise its discretion to redeem the remaining **2009 Preference Stock** with a nominal value of €1.3 billion at par, at the earliest possible date, on 4 January 2016 and served notice of redemption to holders of the stock. As a result a financial liability was recognised to redeem the stock and pay the final dividend of €116 million. The Group completed the redemption of the 2009 Preference Stock on 4 January 2016.

At 31 December 2015, the **pension deficit** was €0.7 billion, a net decrease of €0.3 billion from the position at 31 December 2014. The main drivers of this decrease are as follows:

- an increase in the value of pension scheme assets during the period of €0.3 billion including deficit reducing cash contributions made by the Group of €0.15 billion;
- an increase of 10 basis points in the RoI discount rate to 2.30% at 31 December 2015 from 2.20% at 31 December 2014, and an increase in the UK discount rate of 10 basis points to 3.80% at 31 December 2015. This decreased the deficit by c.€0.15 billion; partially offset by
- an increase of 10 basis points in the RoI inflation rate and 5 basis points in the UK inflation rate, increasing the deficit by c.€0.1 billion; and
- interest cost and current service cost less benefits paid which increased the deficit by c.€0.1 billion.

Subordinated liabilities

TABLE: 12

Subordinated liabilities	31 December 2015 €m	31 December 2014 €m
Convertible Contingent Capital Note (CCCN)	994	989
€750 million 4.25% Fixed Rate Notes	763	760
€250 million 10% Fixed Rate Notes	266	269
€1,002 million 10% Fixed Rate Notes	234	239
CAD $400 million Fixed / Floating Rate Subordinated Notes 2015	-	69
Undated loan capital	180	171
Other	3	3
Total	**2,440**	**2,500**

The CAD $400 million Fixed / Floating Rate Subordinated Notes 2015, were redeemed during the year. There were no other significant movements in subordinated liabilities during the year ended 31 December 2015.

Stockholders' equity

TABLE: 13

Movements in stockholders' equity	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Stockholders' equity at beginning of year	**8,753**	**7,889**
Movements:		
Profit attributable to stockholders	940	786
Reserve for 2009 Preference Stock to be redeemed	(1,297)	-
Dividends on preference stock	(257)	(141)
- Current year dividend payment	*(141)*	*(141)*
- Dividend accrued for payment on 4 January 2016	*(116)*	-
Remeasurement of the net defined benefit pension liability	91	(353)
Available for sale (AFS) reserve movements	(81)	133
Cash flow hedge reserve movement	(45)	159
Foreign exchange movements	255	275
Other movements	13	5
Stockholders' equity at end of year	**8,372**	**8,753**

Stockholders' equity decreased from €8,753 million at 31 December 2014 to €8,372 million at 31 December 2015.

The **profit attributable to stockholders** of €940 million for the year ended 31 December 2015 compares to the profit attributable to stockholders of €786 million for the year ended 31 December 2014.

On 23 November 2015, the Group announced that it would exercise its discretion to redeem the remaining **2009 Preference Stock** with a nominal value of €1.3 billion at par, at the earliest possible date, on 4 January 2016 and served notice of redemption to holders of the stock. As a result a financial liability was recognised to redeem the stock within the Group's Other liabilities at a fair value of €1,297 million with a corresponding reduction in Stockholders' equity through the creation of a reserve for 2009 Preference Stock to be redeemed within Other reserves. A liability was also recognised in respect of the obligation to pay the final **dividend** payment on 4 January 2016 of €116 million. This has been deducted from Retained earnings in the year ended 31 December 2015. The Group completed the redemption of the 2009 Preference Stock on 4 January 2016 see note 46 for further details.

On 20 February 2015, the Group paid a cash **dividend** of €133 million (20 February 2014: €133 million) on the 2009 Preference Stock. The Group also paid dividends of €4.7 million and £2.3 million on its other euro and sterling preference stock respectively.

The **remeasurement of the net defined benefit pension liability** is primarily driven by changes in actuarial assumptions, including the discount rates and inflation rates, and by asset returns.

Stockholders' equity (continued)

The RoI discount rate has increased by 10 basis points since 31 December 2014, from 2.20% to 2.30% at 31 December 2015, while there has been an increase in the RoI inflation rate of 10 basis points to 1.60% at 31 December 2015. The market value of pension scheme assets increased by 4.17% during the year ended 31 December 2015.

The **available for sale reserve movement** during 2015 is primarily due to transfers from the available for sale reserve during the year offset by the improvement / tightening of credit spreads, particularly on the portfolio of Irish Government bonds. Gains of €207 million were recognised on transfers from the available for sale reserve during the year and are included in other income on page 23.

The **cash flow hedge reserve movement** primarily reflects changes in the mark to market value of cash flow hedge accounted derivatives, driven by market rates and the amortisation of de-designated cash flow hedges. Over time, the reserve will flow through the income statement in line with the underlying hedged items.

Foreign exchange movements are driven by the translation of the Group's net investments in foreign operations. The movement in the period is due primarily to the 5.8% weakening of the euro against sterling for the year ended 31 December 2015.

Other equity instruments

TABLE: 14	**31 December 2015 €m**	31 December 2014 €m
Balance at the beginning of the year	-	-
Additional tier 1 securities issued	749	-
Transaction costs (net of tax)	(9)	-
Balance at the end of the year	**740**	**-**

In June 2015, the Group issued Additional tier 1 (AT1) securities, with a par value of €750 million, for a net consideration of €740 million. The securities carry an initial coupon of 7.375%. See note 47 for further information.

Capital

Regulatory capital and key capital ratios

CRD IV Restated[1] Transitional (excl. 2009 Preference Stock) 31 December 2014 €m		CRD IV Transitional (excl. 2009 Preference Stock) 31 December 2015 €m	CRD IV Fully loaded (excl. 2009 Preference Stock) 31 December 2015 €m
	Capital Base		
8,747	Total equity	9,113	9,113
(1,300)	- less 2009 Preference Stock and associated reserves	-	-
-	- less Additional tier 1 capital	(750)	(750)
7,447	**Total equity less equity instruments not qualifying as CET 1**	**8,363**	**8,363**
(329)	**Regulatory adjustments being phased in / out under CRD IV**	**(509)**	**(1,579)**
-	*- Deferred tax assets[2]*	*(134)*	*(1,345)*
-	*- 10% / 15% threshold deduction[3]*	*-*	*(45)*
714	*- Retirement benefit obligations[4]*	*391*	*-*
(609)	*- Available for sale reserve[5]*	*(466)*	*-*
(56)	*- Pension supplementary contributions[4]*	*(36)*	*-*
(29)	*- Capital contribution on CCCN[4]*	*(7)*	*-*
(349)	*- Other adjustments[6]*	*(257)*	*(189)*
(777)	**Other regulatory adjustments**	**(765)**	**(783)**
(10)	*- Expected loss deduction[7]*	*(17)*	*(35)*
(405)	*- Intangible assets and goodwill*	*(509)*	*(509)*
(115)	*- Dividend / coupon expected on preference stock and other equity instruments[8]*	*(30)*	*(30)*
(205)	*- Cash flow hedge reserve*	*(160)*	*(160)*
26	*- Own credit spread adjustment (net of tax)*	*13*	*13*
(68)	*- Securitisation deduction*	*(62)*	*(62)*
6,341	**Common equity tier 1**	**7,089**	**6,001**
	Additional tier 1		
75	Additional tier 1[9]	817	750
(5)	**Regulatory adjustments**	**(9)**	**-**
(5)	*- Expected loss deduction[7]*	*(9)*	*-*
6,411	**Total tier 1 capital**	**7,897**	**6,751**
	Tier 2		
1,525	Tier 2 dated debt	1,280	1,280
113	Tier 2 undated debt	126	170
(5)	**Regulatory adjustments**	**(9)**	**-**
(5)	*- Expected loss deduction[7]*	*(9)*	*-*
44	Standardised incurred but not reported (IBNR) provisions	34	-
-	Provisions in excess of expected losses on defaulted loans	216	216
53	Other adjustments	32	(80)
1,730	**Total tier 2 capital**	**1,679**	**1,586**
8,141	**Total capital**	**9,576**	**8,337**
51.6	**Total risk weighted assets (€bn)**	**53.3**	**53.2**
	Capital ratios		
12.3%	Common equity tier 1	13.3%	11.3%
12.4%	Tier 1	14.8%	12.7%
15.8%	Total capital	18.0%	15.7%
5.3%	Leverage ratio	6.6%	5.7%

Capital (continued)

Risk weighted assets (RWA)[10,11]

CRD IV Restated[1] Transitional (excl. 2009 Preference Stock) 31 December 2014 €bn		CRD IV Transitional (excl. 2009 Preference Stock) 31 December 2015 €bn	CRD IV Fully loaded (excl. 2009 Preference Stock) 31 December 2015 €bn
46.8	Credit risk[12]	47.8	47.7
0.5	Market risk	0.4	0.4
4.0	Operational risk	4.8	4.8
0.3	Credit valuation adjustment	0.3	0.3
51.6	**Total RWA**	**53.3**	**53.2**

CRD IV

The Capital Requirements Directive (CRD) IV legislation commenced implementation on a phased basis from 1 January 2014. The CRD IV transition rules result in a number of new deductions from Common equity tier 1 (CET 1) capital being introduced on a phased basis typically with a 20% impact in 2014, 40% in 2015 and so on until full implementation by 2019 (with the exception of deferred tax assets (DTA) which are phased to 2024).

CRD IV includes requirements for regulatory and technical standards to be published by the European Banking Authority (EBA). While some of these have not yet been published, it is not anticipated that there would be a material incremental impact on the Group's capital ratios.

The ratios outlined in this section reflect the Group's interpretation of the CRD IV rules as published on 27 June 2013 and subsequent clarifications, including the Central Bank of Ireland (CBI) paper 'Implementation of Competent Authority discretions and options in CRD IV and CRR' published on 21 May 2014.

Capital requirements / buffers

The Group has received further clarity on its minimum regulatory capital requirements. The SSM has advised that the Group's SREP requirement for 2016 is to maintain the CET 1 ratio at a level of 10.25%, calculated on a transitional basis. The Central Bank of Ireland has advised that the Group will be required to maintain an O-SII buffer, which will be phased in as follows: 0.5% from July 2019, 1.0% from July 2020 and 1.5% from July 2021. Both the SREP requirement and the O-SII buffer are subject to annual review by the SSM and the Central Bank of Ireland (CBI) respectively.

In addition, both the Central Bank of Ireland (RoI) and Financial Policy Committee (UK) have set the Countercyclical buffer (CCyB) at 0% from 1 January 2016.

The Group expects to maintain sufficient capital to meet at a minimum applicable

1 The CRD IV transitional Common equity tier 1 and Total capital ratios at 31 December 2014 have been restated to exclude the benefit of the 2009 Preference Stock which the Group derecognised from regulatory capital in November 2015 (see note 46 for further details). Including the benefit of the 2009 Preference Stock the CRD IV transitional Common equity tier 1 and Total capital ratios at 31 December 2014 were 14.8% and 18.3% respectively.
2 Deduction for deferred tax assets (DTA) relates to DTA on losses carried forward, net of certain deferred tax liabilities. The deduction is phased at 10% in 2015.
3 The 10% / 15% threshold deduction is phased in at 40% in 2015 and increases by 20% per annum thereafter, and is deducted in full from CET 1 under fully-loaded rules.
4 Regulatory deductions applicable under CRD and phased out under CRD IV relate primarily to national filters. These will be phased out at 20% per annum until 2018 and are not applicable under fully loaded rules.
5 CRD IV transitional rules in 2015 require phasing in 40% of unrealised losses and 40% of unrealised gains. Between 2016 and 2018 unrealised losses and gains will be phased in at the following rates 60%, 80%, 100%. The Group has opted to maintain its filter on both unrealised gains or losses on exposures to central governments classified in the 'available for sale' category. The reserve is recognised in capital under fully loaded CRD IV rules.
6 Includes technical items such as other national filters and non-qualifying CET 1 items.
7 Under CRD IV transitional rules, expected loss is phased in at 40% in 2015 however, the Central Bank of Ireland's (CBI) implementation of competent authority discretions requires at least 50% of expected loss to be deducted from CET 1 overall. Expected loss not deducted from CET 1 is deducted 50:50 from Tier 1 and Tier 2 capital. It is deducted in full from CET 1 under fully loaded rules.
8 Dividends expected for the year ended 31 December 2014 relate primarily to the 2009 Preference Stock and coupons for the year ended 31 December 2015 relate primarily to the Additional tier 1.
9 Non-qualifying Tier 1 hybrid debt is phased out of Additional tier 1 at 30% in 2015 and 10% per annum thereafter. Certain instruments are phased into Tier 2 capital from Tier 1 capital.
10 Risk weighted assets (RWA) reflect the application of certain Central Bank of Ireland required Balance Sheet Assessment (BSA) adjustments and the updated treatments of expected loss.
11 Further details on RWA as at 31 December 2015 can be found in the Group's Pillar III disclosures for the year ended 31 December 2015, which are published on the Group's website at the same time as the Group's Annual Report.
12 Includes RWA relating to non-credit obligation assets / other assets and RWA arising from the 10% / 15% threshold deduction.

Capital (continued)

regulatory capital requirements plus an appropriate management buffer of 100 to 150 basis points.

Capital actions

In June 2015, the Group successfully raised €750 million of new CRD IV compliant AT1 securities at an initial coupon of 7.375%. See note 47 for further information.

On 23 November 2015, the Group announced that it had received SSM approval to exercise its discretion to redeem the remaining €1.3 billion 2009 Preference Stock, that it would exercise this discretion on the earliest possible date of 4 January 2016 and served notice of redemption to Baggot Securities Limited, as current holder of the stock. The 2009 Preference Stock was derecognised from CET 1 regulatory capital in November 2015. See note 46 for further details.

Distributable items

As at 31 December 2015 the Bank had profits available for distribution in excess of €2.5 billion. The reduction in profits available for distribution of €0.8 billion during the year primarily relates to the impact of the 2009 Preference Stock redemption, dividends recognised on preference stock, movements in the AFS reserves which were partially offset by the profit recorded by the Bank. Further information on the Bank's stockholders' equity is provided in pages 297 to 298.

Risk weighted assets

Risk weighted assets (RWA) at 31 December 2015 of €53.3 billion compares to RWA of €51.6 billion at 31 December 2014. Increases in RWA are primarily due to the impact of foreign exchange movements (€1.4 billion), an increase in operational risk RWA (€0.8 billion) and an increase in volumes due to new lending in excess of redemptions, partially offset by a decrease in volumes of defaulted loans and advances to customers.

Transitional ratio

The CET 1 ratio at 31 December 2015 of 13.3% compares to a pro-forma ratio at 31 December 2014 (excluding the 2009 Preference Stock) of 12.3%. The increase of c.100 basis points is primarily due to the impact of attributable profits (+c.180 basis points) for the period, partially offset by an additional year of phasing in of CRD IV deductions (-c.50 basis points), an increase in the intangible assets deduction (-c.20 basis points) and an increase in constant currency RWA (-c.10 basis points) (see RWA commentary above).

The ECB is currently undertaking a review of national discretions and options contained in the CRD IV with a view to harmonising the current treatments across its jurisdictions. As part of the review the ECB has published draft proposals (Regulation and Guide), which are currently at a consultation stage and are expected to be implemented during 2016. These proposals include a number of changes which may have a net negative impact on the Group's transitional capital ratios such as increasing the phase in of the DTA deduction (although partially offset by the removal of the AFS sovereign filter).

The pro-forma CET 1 ratio at 1 January 2016 is estimated at 12.9% reflecting the phasing in of CRD IV deductions for 2016. The pro-forma impact of the ECB review of national discretions on the Group's CET 1 on a transitional basis as at 1 January 2016 would, if implemented on that date, result in a further net reduction of c.10 basis points to 12.8%.

Fully loaded ratio

The Group's pro-forma fully loaded CET 1 ratio, excluding the 2009 Preference Stock is estimated at 11.3% as at 31 December 2015, which has increased from 9.3% as at 31 December 2014. The c.200 basis points increase is primarily due to the impact of attributable profits for the period (+c.180 basis points), a decrease in the pension deficit (+c.20 basis points) and a decrease in the DTA deduction (+c.20 basis points), partially offset by a decrease in the available for sale reserve (c.10 basis points), an increase in intangible assets (-c.20 basis points) and an increase in RWA on a constant currency basis (-c.10 basis points) (see RWA commentary above).

Leverage ratio[1]

The leverage ratio at 31 December 2015 is 6.6% on a CRD IV transitional basis, 5.7% on a pro-forma fully loaded basis. The Group expects to remain above the Basel committee indicated minimum level leverage ratio of 3%.

The Basel committee will monitor the proposed 3% minimum requirement for the leverage ratio and have proposed that final calibrations and any further adjustments to the definition of the leverage ratio will be completed by 2017, with a view to migrating to a Pillar I treatment on 1 January 2018.

Individual Consolidation

The transitional CET 1 ratio of The Governor and Company of the Bank of Ireland calculated on an individual consolidated basis as referred to in Article 9 of the CRR is 14.6% as at 31 December 2015.

[1] *The leverage ratio reflects the delegated act implemented on 18 January 2015 which primarily removes Bank of Ireland Life assets from the calculation.*

Divisional performance

Divisional performance - on an underlying basis

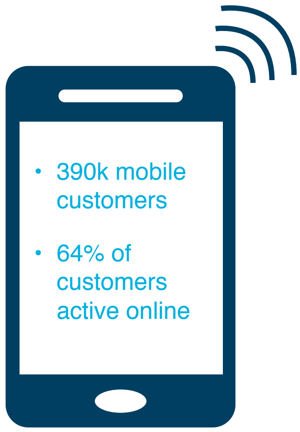
Divisional performance is presented on an underlying basis, which is the measure of profit or loss used to measure the performance of the divisions and the measure of profit or loss disclosed for each division under IFRS (see note 3).

Income statement - underlying profit before tax	Table	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m	Change €m
Retail Ireland		507	328	179
Bank of Ireland Life		103	133	(30)
Retail UK		193	127	66
Corporate and Treasury		637	553	84
Group Centre		(223)	(220)	(3)
Other reconciling items[1]		(16)	-	(16)
Underlying profit before tax		**1,201**	**921**	**280**
Non-core items	7	31	(1)	32
Profit before tax		**1,232**	**920**	**312**

[1] *This relates to segmental income / (expense) on certain inter-segment transactions, which is eliminated at a Group level.*

Retail Ireland

Retail Ireland: Income statement	**Year ended 31 December 2015 €m**	Year ended 31 December 2014 €m	Change %
Net interest income	1,062	1,004	6%
Net other income	373	318	17%
Operating income	**1,435**	**1,322**	**9%**
Operating expenses	(831)	(817)	(2%)
Operating profit before impairment charges on financial assets	**604**	**505**	**20%**
Impairment charges on loans and advances to customers	(95)	(226)	58%
Share of results of associates and joint ventures (after tax)	(2)	49	n/m
Underlying profit before tax	**507**	**328**	**55%**
Loans and advances to customers (net) (€bn)			
At 31 December	36.1	36.8	(2%)
Average in year	36.4	37.5	(3%)
Customer deposits (€bn)			
At 31 December	39.1	36.6	7%
Average in year	37.9	36.4	4%
Staff numbers at period end	4,258	4,525	

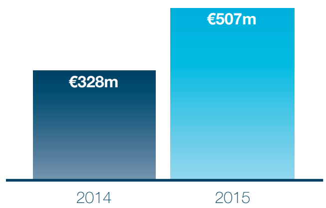


Consumer Banking Customers
>1.7 million

Wealth Customers
>600,000

Business Banking Customers
>200,000

Underlying profit before tax €m



Retail Ireland offers a broad range of financial products and services to all major sectors of the Irish economy. Through our network of branches in over 250 locations across the Republic of Ireland, we are one of the largest providers of financial services in the country. Our branches, embedded in local communities across Ireland, are complemented by our online, mobile and phone banking services.

Our comprehensive product suite includes deposits, mortgages, consumer and business lending, credit cards, current accounts, money transmission services, commercial finance, asset finance, general insurance, life assurance, protection, pensions and investment products. We believe in building strong relationships with our customers and investing in a leading multi-channel distribution platform to serve our customers' needs in order to ensure market leading positions in consumer, wealth management and business segments.

Our focus continues to be on serving our existing customers better while attracting new customers ensuring that we continue to add sustainable value to the Group. We continue to focus on getting to know our customers better as individuals, supporting them more in their communities and enterprises, and helping to make them more financially confident.

Creating financial confidence
We believe that this serves both the best long-term interests of our customers and those of the Bank. How are we doing this?

- **Certainty in home payments** - we have pursued a fixed rate led mortgage pricing strategy. Fixed rates give certainty and stability to both the customer and the Bank at a time when interest rates are at historic lows. 57% of new lending in 2015 was in fixed rate mortgages with 44% in H1 and 64% in H2.
- **Help with payments** - we also extended the innovative Instalment plan feature across our entire Consumer Credit Card portfolio (excluding students) which allows customers to convert larger purchases to a fixed repayment amount over 12

Retail Ireland (continued)

months at a substantially lower rate, helping create more certainty on future payments.

- **Save to borrow - in 2016** - we recently announced another innovation, our 'Mortgage Saver' offering, which provides First Time Buyers with a bonus of 10% on the Mortgage Saver account balance when they draw down a mortgage with Bank of Ireland (subject to applicable terms and conditions).
- **Continue to make banking easier for businesses** - we made business loans up to €100,000 available to SMEs through our Direct Channels 24/7. SMEs can now pick up the phone and get an immediate response. For our Agri Customers, we have greatly simplified the process through which regular stocking loans are provided.

Knowing our customers and demonstrating this knowledge through our actions

- **Digital adoption programmes** are helping our customers to have further 24/7 access to their accounts and we have appointed dedicated customer advisors to accelerate this process. This has supported a more than 20% increase in the numbers of our digitally active retail customers at the end of December 2015 compared to a year earlier with 43% of our sales now coming through direct (call centre and digital) which is up from 28% a year ago.
- **Youth Proposition** - our approach to Youth is a key investment in our future franchise. During 2015 we have developed CoderDojo, Junk Kouture, Biz World, dedicated Youth Weeks, campus recruitment, School banks and Bond Trader to name but a few.
- **Valuable Advice from sector specialists** - 2015 also saw the launch of our Sector Teams, they include agri, technology, healthcare and life sciences, motor, hospitality (hotels / pubs / restaurants), retail convenience, property and project finance / renewable energy each one led by an expert drawn from the relevant industry with a deep understanding of the specific needs and dynamics of the sector.

Support for Local Communities

We continue to demonstrate our support through action in the communities we operate in across Ireland.

- **Encouraging enterprise in local communities** - we have the largest national branch network in the country. During 2015, we also supported 50 Enterprise Towns across the country. This enabled 3,650 businesses, 2,025 community organisations and 203 schools to showcase their products and services in a local context. We intend to increase this number in 2016, in addition to our two national Enterprise Weeks.
- **Support for start-ups** - 2015 saw the launch of start-up Workbenches in Dublin and Galway, offering hot desking, meeting and event space to start-up companies and entrepreneurs (we have welcomed more than 13,000 visitors, hosted more than 240 events, and supported more than 120 start-up enterprises). The Workbench at Grand Canal Square was awarded second place at the Efma Innovation Awards, in the Sustainable Business category. Further Workbenches are being planned in additional city locations. In addition, the 'StartLab' in Eyre Square in Galway was opened, providing a dedicated workspace, education program and access to a wide range of supports designed to help scale their business and further 'Lab' locations are in planning. Sponsored Start-Up Gathering also took place in 2015, which delivered a week long programme of conferences and events in Dublin, Waterford, Cork, Limerick and Galway, with over 400 Gatherings taking place and over 16,500 attendees.
- **Helping everyone to 'think business'** We also launched a free advice portal for SME's called 'ThinkBusiness.ie' - a one-stop shop for start-ups and smaller companies to access resource and advice on an ongoing basis helping them to grow and flourish. The first six months saw 250,000 visitors.

We are starting to see the rewards for these investments both at a customer satisfaction level but also financially. This gives us the confidence to continue to focus on those areas that the customer has asked us to concentrate on - knowing them better as individuals, supporting them more in their communities and enterprises, and, ultimately, helping BoI customers become more financially confident.

Retail Ireland (continued)

Financial performance
Retail Ireland reported an **underlying profit before tax** of €507 million for the year which is an increase of 55% year on year. Operating profit before impairment charges grew by 20% to €604 million while impairment charges fell by €131 million resulting in underlying profit growth of €179 million.

Loans and advances to customers (after impairment provisions) are marginally down by €0.7 billion to €36.1 billion at 31 December 2015, however this is reflective of a gross reduction of c.€1.5 billion in Retail Ireland's low yielding tracker mortgage book and a gross reduction of €2.3 billion in Retail Ireland's Non-performing loan book. In addition during the year we acquired a number of performing loan portfolios including a mortgage portfolio and two SME loan portfolios. Mortgage drawdowns of €1.4 billion have increased by 12%, and at the end of 2015 we provided circa one in three new mortgages. SME lending approvals are more than 18% higher than in 2015 while Business Banking drawdowns of €2.7 billion have increased by 17% during the year.

Non-performing loan book
€2.3bn

Customer deposits of €39.1 billion have increased by €2.4 billion year on year. We have a strong customer deposit franchise with 27% market share. Within deposits, current account credit balances have grown by €2.8 billion while other deposits have declined by €0.4 billion.

Customer deposits
€2.4bn

The change in 'net interest income' and 'net other income' is impacted by IFRS income classifications between the two income categories (see pages 21 and 22).

Net interest income	**Year ended 31 December 2015 €m**	Year ended 31 December 2014 €m	Change %
Net interest income	1,062	1,004	6%
IFRS income classifications	12	3	n/m
Net interest income (after IFRS income classifications)	**1,074**	**1,007**	**7%**

Year to date reduction in tracker book
€1.5bn

Net interest income (after IFRS income classifications) of €1,074 million is 7% higher than last year. This increase is primarily driven by the lower cost of customer deposits and other funding sources and the impact of higher lending margins on new lending. These factors have been partially offset by the continued negative impact of historically low official interest rates and lower average loan volumes in 2015 compared to 2014.

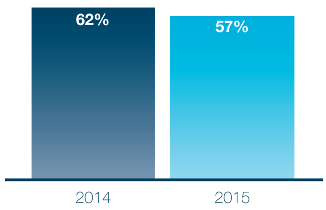
Net other income	**Year ended 31 December 2015 €m**	Year ended 31 December 2014 €m	Change %
Net other income	373	318	17%
IFRS income classifications	(12)	(3)	n/m
Net other income (after IFRS income classifications)	**361**	**315**	**15%**
Comprised of:			
- Business income	*331*	*320*	*3%*
- Financial instrument valuation adjustments (CVA, DVA, FVA) and other	*-*	*(8)*	*100%*
- Gain / (loss) on disposal and revaluation of investment properties	*30*	*3*	*n/m*

Ireland's only banc-assurer, with life assurance market share
23%

Net other income (after IFRS income classifications) of €361 million for the year was 15% higher than the previous year, primarily due to gains on the disposal and revaluation of investment properties of €30 million. Business income has grown by 3%, primarily due to higher foreign exchange income and higher retail banking fees.

Retail Ireland (continued)

Cost / income ratio (%)

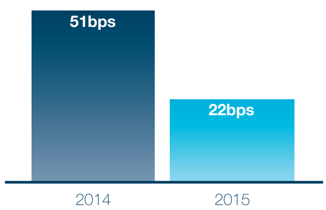


Operating expenses of €831 million for the year were 2% higher than the previous year. The impact of lower staff numbers in the second half of the year was offset by investment associated with strategic initiatives such as ‘Smarter Banking’, ‘Enterprise Towns’, ‘Youth’ and ‘ThinkBusiness.ie’. Staff numbers have decreased by 6% from 4,525 at 31 December 2014 to 4,258 at 31 December 2015 and staff costs are also reflective of the costs associated with the Bank’s career and reward framework.

The **share of results of associates and joint ventures (after tax)** was a loss of €2 million for the year compared to a gain of €49 million for the previous year. The gain in the prior year was primarily due to the sales of an international investment property and venture capital investments, in addition to increases in the value of other investment properties and investment funds.

Impairment charges / (reversals) on loans and advances to customers	**Year ended 31 December 2015 €m**	Year ended 31 December 2014 €m	Change %
Residential mortgages	(84)	(140)	40%
Non-property SME and corporate	86	127	(32%)
Property and construction	111	233	(52%)
Consumer	(18)	6	n/m
Impairment charges / (reversals) on loans and advances to customers	**95**	**226**	**(58%)**

Impairment charges (bps)

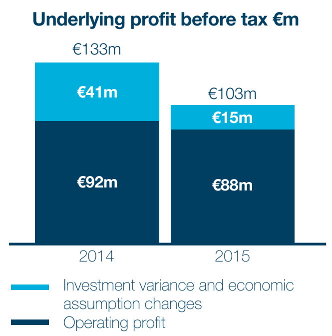


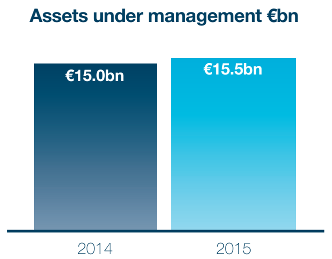
Impairment charges / (reversals) on loans and advances to customers of €95 million for the year 2015 were 58% lower compared to the previous year.

Further analysis and commentary on changes in the loan portfolios, asset quality and impairment is set out in the asset quality and impairment section on pages 74 to 100 and the supplementary asset quality and forbearance disclosures section on pages 358 to 412.

Bank of Ireland Life

Bank of Ireland Life: Income statement (IFRS performance)	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m	Change %
Net interest income	34	43	(21%)
Net other income	154	145	6%
Operating income	188	188	-
Operating expenses	(100)	(96)	(4%)
Operating profit	**88**	**92**	**(4%)**
Investment variance	11	17	(35%)
Economic assumption changes	4	24	(83%)
Underlying profit before tax	**103**	**133**	**(23%)**
Staff numbers period end	937	903	





Bank of Ireland Life's business is to help customers;

- protect themselves and their families against the financial effects of early death and illness;
- manage and invest their savings; and
- manage and protect their income and assets in retirement.

The Group, through Bank of Ireland Life;

- is the second largest life assurance company in the Irish market;
- distributes across three core channels made up of;
  - the Group's branch network;
  - independent financial brokers; and
  - its own tied Financial Advisor network; and
- is the only bancassurer in the Irish Market.

Bank of Ireland Life, which includes New Ireland Assurance Company (NIAC) is focused predominantly on the retail and SME market. Bank of Ireland Life provides a range of protection, investment and pension products offering customers access to a wide range of investment markets and fund managers across its fund platform.

While challenges remain, the economic outlook for Ireland continues to improve. The labour market is increasing, disposable incomes and consumer confidence are growing. All of these factors will have a positive impact on the life assurance industry as the growing workforce look to increase their spend on protecting their longer term financial needs. The ageing population and reducing levels of State and employer led pension provision will encourage more of the working population to independently provide for their own financial needs.

Bank of Ireland Life with 23% market share, over 500,000 policyholders and in excess of €15 billion in assets under management, is well positioned to benefit from the growing investment and pension market. Reflecting the business' customer led proposition, NIAC has won the Professional Insurance Brokers Association award for service excellence in 2012, 2013, 2014 and 2015.

The business has performed well in 2015, with overall new business levels up 9% on the previous year, reflecting a stronger performance in the investment and pension business. New sales in 2015 consisted of €1.4 billion of new lump sum business and of €126.7 million of new regular premium business.

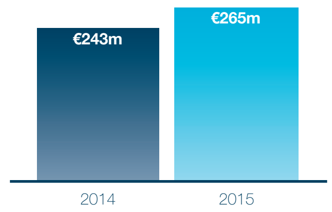
The iFunds investment range has seen strong inflows and returns since inception in February 2014 with assets under management in iFunds now close to €1 billion. Consistent with our bancassurance strategy, we have further enhanced our customer proposition through the launch of Life Online, a new portal that, for the first time in the market, gives customers rich and personalised information on their pension and investment portfolios integrated alongside their current account and other banking products.

Bank of Ireland Life (continued)

Financial performance

Bank of Ireland Life reported an **underlying profit before tax** of €103 million for the year ended 31 December 2015 compared to an underlying profit before tax of €133 million in the previous year. In the main the fall in total profits reflects a lower benefit from investment fund growth and interest rates. The total impact of this on underlying profits for the year ended 31 December 2015 is €15 million (31 December 2014: €41 million).

New business sales (Annual Premium Equivalent (APE)) €m



New business sales for Bank of Ireland Life grew by 9% over the year ended 31 December 2015 resulting in a 23% market share of new business. Sales were ahead in each channel compared to the previous year with single premium investment and regular premium pension sales in particular showing strong growth. The value of new business is in line with the previous year reflecting an increase in the volume of new business sales offset by changes in the mix of business and margins.

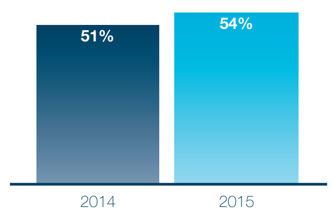
Profits from the book of existing business increased by 3% with increases in respect of persistency and operating assumption changes partly offset by lower profits from risk experience.

Operating profit of €88 million for the year ended 31 December 2015 was €4 million or 4% lower than the previous year. Income levels were broadly flat while operating expenses increased over the period.

Operating income of €188 million for the year ended 31 December 2015 is in line with the previous year. In new business, the strong growth in single premium Life and regular premium pension sales offset the reduction in protection volumes, while overall margins were slightly lower.

On the book of existing policies, mortality experience continued to be favourable though lower than last year, and the positive lapse experience improved further. Lower overall interest rates resulted in a lower return on planned profit and shareholder funds. In addition, the interest cost relating to the capital restructure increased compared to the prior year. The impact of these three items reduced operating profit by €7 million.

Cost / income ratio (%)



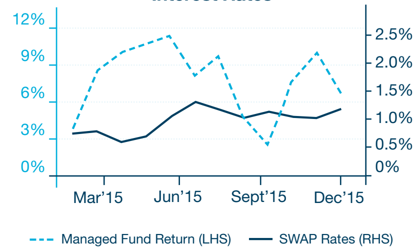
Operating expenses of €100 million for the year ended 31 December 2015 are €4 million or 4% higher than in 2014. The increase reflects the impact of the new career and reward framework, an increase of €1 million in pension costs together with the costs related to the development of the Life Online customer portal.

During the year ended 31 December 2015, the growth in equity markets meant that investment funds outperformed the unit growth assumption to give rise to a positive **investment variance**. The growth in investment funds, while lower than in 2014, resulted in a positive variance of €11 million (31 December 2014: €17 million).

In 2014 swap rates fell and bond spreads narrowed significantly. In 2015 the interest rate environment was more benign with swaps increasing marginally and spreads broadly remaining the same. The overall impact of the change in interest rates, including the impact on the **economic assumptions** was positive, resulting in €4 million gain for the year ended 31 December 2015 (31 December 2014: gain of €24 million).

The discount rate applied to future cash flows was increased to 6.13% at 31 December 2015, an increase of 0.19% when compared to 31 December 2014. The future growth rate on unit linked assets increased by 0.20% to 3.60% at 31 December 2015. These increases were driven by an increase in 10 year swap rates during 2015.

Investment Fund Returns and Interest Rates



Bank of Ireland Life (continued)

Embedded value (EV) performance

Bank of Ireland Life: income statement (Embedded value performance)	**Year ended 31 December 2015 €m**	Year ended 31 December 2014 €m	Change %
New business profits	27	27	-
Existing business profits	79	80	(1%)
- Expected return	*57*	*66*	*(14%)*
- Experience variance	*15*	*13*	*15%*
- Assumption changes	*7*	*1*	*n/m*
Intercompany payments	(13)	(13)	-
Interest payments	(6)	(3)	(100%)
Operating profit	**87**	**91**	**(4%)**
Investment variance	10	25	(60%)
Economic assumption changes	5	11	(55%)
Underlying profit before tax	**102**	**127**	**(20%)**

The Embedded Value method is widely used in the life assurance industry.

Operating profit for the year ended 31 December 2015 of €87 million was €4 million or 4% lower than the previous year.

New business profits of €27 million were in line with the previous year reflecting the strong growth in pension and single premium life sales offset by a change in the mix of business and margins.

Existing business profits of €79 million were in line with last year reflecting higher experience variances and assumption changes offset by the impact of lower interest rates on the planned profit and the lower earned return on shareholder funds.

Experience profits were higher with a strong improvement in the company's lapse experience, most notably with respect to protection and single premium life offset by lower risk experience profits.

The **underlying profit before tax**, on an embedded value basis, of €102 million for the year ended 31 December 2015 compares to €127 million for last year.

The underlying profit before tax has benefited from a positive investment variance while the impact of interest rate movements was also positive.

The table below summarises the overall balance sheet of Bank of Ireland Life on an EV basis at 31 December 2015 compared to the value at 31 December 2014.

	31 December 2015 €m	31 December 2014 €m
Net assets	522	386
Value of in Force	678	710
Less Tier 2 subordinated capital / debt	(200)	(200)
Less pension scheme deficit	(147)	(142)
Total embedded value	**853**	**754**

The Embedded Value, which does not include an allowance for any future new business, is made up of a significant portion of net assets, the pension scheme deficit, subordinated capital / debt and the value of in force asset. The Value of in Force (ViF) asset represents the after tax value of future income from the existing book. This asset is relatively short in term with 50% of the future cash flows emerging in the next five years, with a further c.30% of the future cash flows emerging in the five to ten years timescale.

The Embedded Value does not include an allowance for any future new business sales. Over 2015 the Group value of new business was €27 million based on APE Sales of €265 million.

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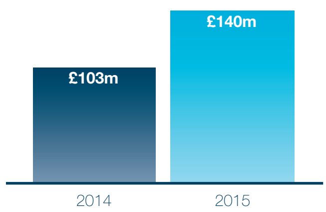
Retail UK (Sterling)

Retail UK: Income statement	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m	Change %
Net interest income	520	542	(4%)
Net other income	(2)	3	n/m
Operating income	**518**	**545**	**(5%)**
Operating expenses	(312)	(294)	(6%)
Operating profit before impairment charges on financial assets	**206**	**251**	**(18%)**
Impairment charges on loans and advances to customers	(101)	(183)	45%
Share of results of associates and joint ventures (after tax)	35	35	-
Underlying profit before tax	**140**	**103**	**37%**
Underlying profit before tax (€m equivalent)	**193**	**127**	**52%**
Loans and advances to customers (net) (£bn)			
At 31 December	26.0	26.1	(1%)
Average in year	26.0	27.4	(5%)
Customer deposits (£bn)			
At 31 December	21.6	20.2	7%
Average in year	20.8	20.9	(1%)
Staff numbers at period end	1,679	1,516	

Underlying profit before tax £m



c. 3m
UK customers through consumer banking franchises

> 80%
Growth in new mortgage lending

The Retail UK Division incorporates the financial services relationship and foreign exchange joint venture with the UK Post Office, the financial services partnership with the AA, the UK residential mortgage business, the Group's branch network in Northern Ireland (NI) and the Group's business banking business in NI. The Group also has a business banking business in Great Britain (GB) which is being run-down, in accordance with the EU Restructuring Plan. The Retail UK division includes the activities of Bank of Ireland (UK) plc, the Group's wholly owned UK licensed banking subsidiary and NIIB Group, a car and asset finance and consumer lending group.

In the UK, through our partnership with the Post Office, we are one of the leading consumer banking franchises with c.3 million customers. During 2015, we also expanded our network of successful intermediary mortgage partners and entered into a new financial services partnership with the AA.

A key objective for 2015 was to continue to grow our mortgage business, building on the progress we made last year. In 2015, our new mortgage lending was £3.3 billion compared with £1.8 billion in 2014. We have enhanced our mortgage distribution capability by building a new market leading mortgage platform. This platform was successfully launched for the intermediary channel in June with roll out proceeding in line with our plans. The platform will be made available to other channels in due course.

Our foreign exchange joint venture with the Post Office remains the largest provider of consumer foreign exchange in the UK and our travel money card app has continued to win new customers.

On 30 September 2015, the Retail UK Division received £41 million on the sale of its insurance joint operation to the Post Office Limited. This is recognised as a non-core item as set out on page 27.

In July 2015, we announced a new long-term financial services partnership with the AA, with customer propositions focused on the provision of credit cards, unsecured personal loans, savings and mortgages in the UK. The partnership is complementary to our partnership with the Post Office and will combine our proven product

Retail UK (Sterling) (continued)

development capabilities with the strength of the AA brand and its extensive and attractive membership base. Credit cards, personal loans and savings products were all successfully launched during the second half of the year.

Financial performance

Retail UK reported an **underlying profit before tax** of £140 million for the year ended 31 December 2015 compared to a profit of £103 million in the previous year. The increase of £37 million is driven by lower impairment charges (which have declined by £82 million), partially offset by a £45 million reduction in operating profit before impairment charges, which is attributed to a decrease in income of £27 million and an increase in operating expenses of £18 million.

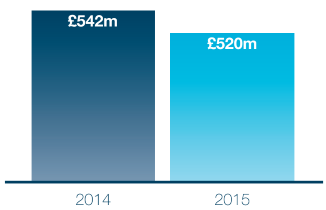
Loans and advances to customers (after impairment provisions) of £26.0 billion are broadly unchanged since 31 December 2014, with a net reduction of £0.1 billion. The full year decrease in loans and advances to customers reflects continued repayments and redemptions in the NI and GB business banking portfolios, partially offset by a net increase in UK Mortgages where the volume of new business exceeded redemptions in the period.

Non-performing loan book
£1.1bn

Customer deposits of £21.6 billion have increased by £1.4 billion since 31 December 2014. This increase is due to net growth in Post Office (PO) deposits of £1.1 billion given the successful launch of new and enhanced products and an increase in BoI branded deposits of £0.3 billion.

Customer deposits
£1.4bn

Net interest income (£m)

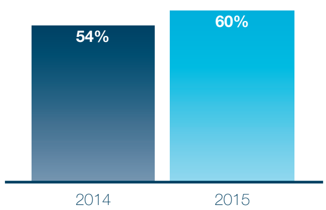


Net interest income of £520 million for the year ended 31 December 2015 is £22 million or 4% lower than the previous year. The decrease is largely due to the impact of business banking deleveraging and the continued negative impact resulting from historically low interest rates, partially offset by a reduction in the cost of deposits.

Net other income	**Year ended 31 December 2015 £m**	Year ended 31 December 2014 £m	Change %
Business income	5	8	(38%)
Financial instrument valuation adjustments (CVA, DVA, FVA) and other	(7)	(5)	(40%)
Net other income	**(2)**	**3**	**n/m**

Net other income was a charge of £2 million for the year ended 31 December 2015 and has decreased by £5 million since the previous year reflecting lower transaction income.

Cost / income ratio (%)



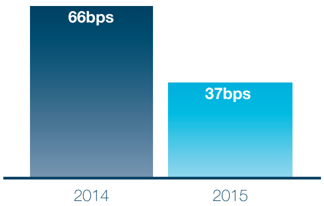
Operating expenses of £312 million for the year ended 31 December 2015 are £18 million higher than the previous year primarily reflecting the targeted investment in the consumer banking business through further investment in our people to support the Bank of Ireland (UK) plc growth strategy. The year to 31 December 2015 also saw specific investment to support the establishment of the recently announced partnership with the AA.

Retail UK (Sterling) (continued)

The **share of results of associates and joint ventures (after tax)** of £35 million, relates to First Rate Exchange Services Limited (FRES), the foreign exchange joint venture with the UK Post Office, and is in line with the result for the previous year.

Impairment charges / (reversals) on loans and advances to customers	**Year ended 31 December 2015 £m**	Year ended 31 December 2014 £m	Change %
Residential mortgages	(9)	(6)	(50%)
Non-property SME and corporate	(2)	14	n/m
Property and construction	101	163	(38%)
Consumer	11	12	(8%)
Impairment charges / (reversals) on loans and advances to customers	**101**	**183**	**(45%)**

Impairment charges (bps)



Impairment charges / (reversals) on loans and advances to customers of £101 million for the year ended 31 December 2015 were £82 million or 45% lower compared to the previous year. The reduction is primarily driven by reduced business banking impairment charges, particularly in GB where there has been some observed recovery in asset valuations.

Further analysis and commentary on changes in the loan portfolios, asset quality and impairment is set out in the asset quality and impairment section on pages 74 to 100 and the supplementary asset quality and forbearance disclosures section on pages 358 to 412.

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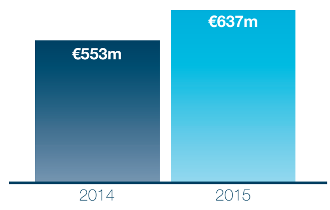
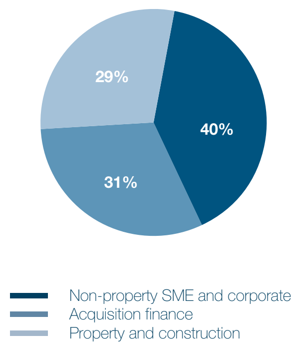
Corporate and Treasury

Corporate and Treasury: Income statement	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m	Change %
Net interest income	**600**	**602**	**-**
- On liquid asset bond portfolio	*65*	*114*	*(43%)*
- Other net interest income	*535*	*488*	*10%*
Net other income	**293**	**217**	**35%**
- On liquid asset bond portfolio	*127*	*176*	*(28%)*
- Other	*166*	*41*	*n/m*
Operating income	**893**	**819**	**9%**
- On liquid asset bond portfolio	*192*	*290*	*(34%)*
- Other	*701*	*529*	*33%*
Operating expenses	(194)	(178)	(9%)
Operating profit before impairment charges on financial assets	**699**	**641**	**9%**
Impairment charges on loans and advances to customers	(62)	(88)	30%
Underlying profit before tax	**637**	**553**	**15%**
Loans and advances to customers (net) (€bn)			
At 31 December	12.9	11.5	12%
Average in year	12.1	11.5	5%
Customer deposits (€bn)			
At 31 December	11.7	12.2	(4%)
Average in year	12.5	12.2	2%
Liquid asset bond portfolio (€bn)			
At 31 December	10.7	12.9	(17%)
Average in year	11.5	13.5	(15%)
Staff numbers at period end	615	586	

Underlying profit before tax €m



Customer lending portfolio composition



+c.18%
New business lending

Corporate and Treasury incorporates the Group's corporate banking, treasury, specialised acquisition finance and large transaction property lending, across the Republic of Ireland, UK and internationally, with offices in eight locations - Dublin, Belfast, London, Bristol, Paris, Frankfurt, Chicago and Stamford, Connecticut. It also manages the Group's euro liquid asset bond portfolio.

Within the Republic of Ireland, Corporate and Treasury enjoys market leading positions in its market sectors, including corporate banking, commercial property, foreign direct investment, treasury and corporate finance, while its acquisition finance business is among the top players in its targeted segments of the European and US markets.

The Division delivered a strong result for the year ended 31 December 2015:

- new lending up c.18% compared to the previous year;
- we retain our position as Ireland's number one corporate bank and we continue to achieve a market share in excess of 50% of banking relationships arising from new foreign direct investment in Ireland;

Corporate and Treasury (continued)

- in our treasury business, our foreign exchange volumes were boosted by the volatility in currency markets and increased customer activity. The recent launch of *FXPay*, the Group's new online foreign exchange trading platform, has been well received by our customers;
- we continue to support the recovery in the Irish property market, funding c.30% of the larger debt funded investment property transactions in 2015 and adding a number of top tier international clients to the portfolio; and
- our international acquisition finance business has delivered another excellent performance, arranging deals in a range of jurisdictions, selectively growing the loan book while maintaining asset quality and margins.

Financial performance

The division reported an **underlying profit before tax** of €637 million for the year ended 31 December 2015 an increase of €84 million or 15% compared to underlying profit of €553 million in 2014.

This increase is primarily due to:

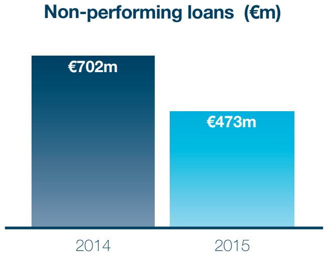
- movements in the value of derivatives which did not meet the required criteria for hedge accounting and certain liabilities carried on the balance sheet at fair value through profit and loss;
- lower impairment charges;
- a reduction in the cost of deposits;
- higher equity income; and
- the benefit of the weaker euro on the translation of the income from overseas offices;

partially offset by

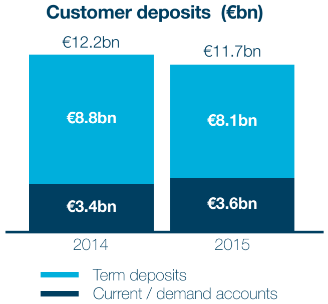
- lower gains from the sale of bonds arising through the rebalancing of the Group's available for sale liquid asset portfolio;
- the negative impact on interest income from crystallised gains driven by the sale of bonds acquired at relatively higher credit spreads and their replacement with bonds at lower current market credit spreads;

coupled with

- the continued negative impact of historically low official interest rates.



Loans and advances to customers (after impairment provisions) of €12.9 billion at 31 December 2015 were €1.4 billion higher than at 31 December 2014. The increase is primarily reflective of net new lending in each of our core-loan books, together with the translation impact of a weaker euro, partially offset by the continued deleveraging of non-core loan books and the proceeds of the resolution of impaired loans.



Customer deposits of €11.7 billion were €0.5 billion lower than at 31 December 2014. The deposit book primarily comprises a mixture of corporate, State, SME and retail customer accounts.

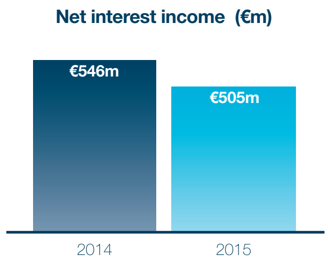
The **liquid asset** bond portfolio of €10.7 billion at 31 December 2015 was €2.2 billion lower than at 31 December 2014, primarily due to repayments of €1.0 billion of NAMA senior bonds.

Corporate and Treasury (continued)

The change in 'net interest income' and 'net other income' is impacted by IFRS income classifications between the two income categories (see pages 21 and 22).

Net interest income	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m	Change %
Net interest income	600	602	-
IFRS income classifications	(95)	(56)	(70%)
Net interest income (after IFRS income classifications)	**505**	**546**	**(8%)**
Comprised of:			
- On liquid asset bond portfolio	*65*	*114*	*(43%)*
- Other net interest income	*440*	*432*	*2%*

Net interest income (after IFRS classifications) of €505 million for the year ended 31 December 2015 has decreased by €41 million or 8% compared to the previous year. The decrease in net interest income is primarily due to:



- the impact on liquid asset and interest rate swap margins of the rebalancing of the Group's liquid asset portfolio, together with lower re-investment rates, some of which is offset in net other income below;
- historically low official interest rates; and
- gains in H1 2014 from re-estimating the timing of cash flows on NAMA senior bonds;

partially offset by

- improved loan and deposit margins;
- higher loan volumes, with net new lending in each of our core loan books; and
- the benefit of the weaker euro on the translation of the income from overseas offices.

Net other income	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m	Change %
Net other income	293	217	35%
IFRS income classifications	95	56	70%
Net other income (after IFRS income classifications)	**388**	**273**	**42%**
Comprised of:			
- Business income	*153*	*152*	*1%*
- Financial instrument valuation adjustments (CVA, DVA, FVA) and other	*74*	*(71)*	*n/m*
- Transfer from available for sale reserve on asset disposal;			
- on liquid asset bond portfolio	*127*	*176*	*(28%)*
- on equity investments	*34*	*16*	*n/m*

Corporate and Treasury (continued)

Net other income (after IFRS income classifications)

+42%

Net other income (after IFRS classifications) of €388 million for the year ended 31 December 2015 has increased by €115 million or 42% compared to the previous year.

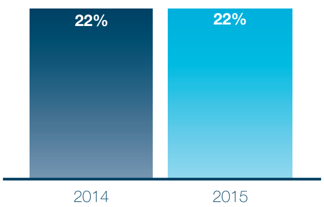
This increase is primarily due to:

- movements in the value of:
  - derivatives which did not meet the required criteria for hedge accounting, including interest rate swaps economically hedging the ‘held to maturity’ bond portfolio; and
  - certain liabilities carried on the balance sheet at fair value through profit and loss;
- the impact on interest rate swap margins of the rebalancing of the Group’s liquid asset portfolio, which is offset in net interest income above;
- higher gains on the sale of equity holdings; and
- higher fee income;

partially offset by

- lower transfers from the available for sale reserve on the sale of sovereign bonds as part of the rebalancing of the Group’s liquid asset portfolio.

Cost / income ratio (%)

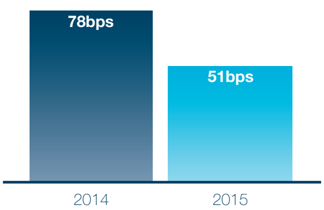


Operating expenses of €194 million for the year ended 31 December 2015 were €16 million higher than the previous year. This increase is primarily due to:

- the impact of the weaker euro on the translation of the costs of overseas offices and other non-euro expenditure;
- increased pension costs;
- the new career and reward framework introduced for employees during 2014; and
- investment in people, infrastructure and technology.

Impairment charges / (reversals) on loans and advances to customers	**Year ended 31 December 2015 €m**	Year ended 31 December 2014 €m	Change %
Non-property SME and corporate	65	75	(13%)
Property and construction	(3)	13	n/m
Total impairment charges / (reversals) on loans and advances to customers	**62**	**88**	**(30%)**

Impairment charges (bps)



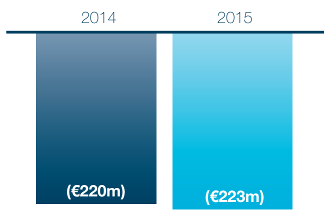
Impairment charges / (reversals) on loans and advances to customers of €62 million for the year ended 31 December 2015 have decreased by €26 million or 30% compared to the previous year.

Further analysis and commentary on changes in the loan portfolios, asset quality and impairment is set out in the asset quality and impairment section on pages 74 to 100 and the supplementary asset quality and forbearance disclosures section on pages 358 to 412.

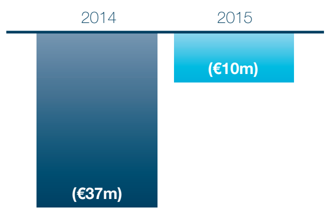
Group Centre

Group Centre: Income statement	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m	Change %
ELG fees	**(10)**	**(37)**	**73%**
Other income	52	(31)	n/m
Net operating income / (expense)	**42**	**(68)**	**n/m**
Operating expenses (before Irish bank levy and regulatory costs)	(205)	(166)	(24%)
Regulatory costs	(22)	(18)	(22%)
- BIFR fund costs	*(7)*	*-*	*(100%)*
- FSCS costs	*(15)*	*(18)*	*17%*
Irish bank levy	(38)	(38)	-
Operating loss before impairment charges on financial assets	**(223)**	**(290)**	**23%**
Reversal of impairment charge on available for sale (AFS) financial assets	-	70	(100%)
Underlying loss before tax	**(223)**	**(220)**	**(1%)**
Staff numbers at period end	3,656	3,556	

Underlying loss before tax €m



ELG fees €m



The Group Centre comprises Group Manufacturing, Group Finance, Group Credit & Market Risk, Group Governance Risk and Group Human Resources. The Group's central functions, through Group Centre, establish and oversee policies, and provide and manage certain processes and delivery platforms for the divisions.

Group Centre's income and costs comprises income from capital and other management activities, unallocated Group support costs and the cost associated with schemes such as the ELG Scheme, the Irish bank levy and the UK Financial Services Compensation Scheme (FSCS), along with contributions to the newly established Bank and Investment Firm Resolution (BIFR) fund.

Financial performance

Group Centre reported an **underlying loss before tax** of €223 million for the year ended 31 December 2015 compared to a loss of €220 million for the previous year.

Net operating income / (expense) was a gain of €42 million for the year ended 31 December 2015 compared to a charge of €68 million for 2014. The improvement of €110 million in the year is driven primarily by a combination of lower ELG fees, gains realised from the sale of sovereign bonds in the liquid asset portfolio of €46 million and fair value and valuation adjustments.

ELG fees were €10 million for the year ended 31 December 2015 compared to €37 million for the previous year. The total liabilities covered by the ELG Scheme are €0.7 billion at 31 December 2015 compared to €3 billion at 31 December 2014. Final maturity of the covered liabilities is expected to occur by December 2017, with c.50% of the covered liabilities of €0.7 billion expected to mature by 31 December 2016.

Other income was a gain of €52 million for the year ended 31 December 2015 and is €83 million higher than the in 2014. The increase is primarily due to gains of €46 million realised on the sale of sovereign bonds as part of the rebalancing of the Group's liquid asset portfolio, along with fair value and other valuation adjustments on the Convertible Contingent Capital Note embedded derivative and other derivatives that hedge the Group's balance sheet.

Operating expenses of €205 million for the year ended 31 December 2015 are €39 million higher than the previous year. The increase is reflective of investment in strategic initiatives, including technology and infrastructure, along with increased costs associated with compliance with regulatory expectations. The increase also reflects the impact of the new career and reward framework and higher pension costs.

Regulatory and Bank levies

The Group incurred a cost of €38 million in relation to the **Irish bank levy** during the year ended 31 December 2015. This

Group Centre (continued)

cost was in line with the charge incurred during 2014. The Group's contribution to the **Financial Services Compensation Scheme** levy was €15 million during 2015, compared to €18 million in the year ending December 2014.

The Group also incurred costs of €7 million in relation to the newly established **Bank and Investment Firm Resolution (BIFR)** fund, under the Bank Recovery and Resolution Directive. The Group's 2015 contribution will transfer to the EU Single Resolution Fund in 2016.

The Group expects an increase in regulatory costs in 2016 in the range of €40-45 million, primarily driven by additional contributions to the EU Single Resolution Fund as well as anticipated contributions to the newly established Deposit Guarantee Scheme fund.

The **reversal of an impairment charge on available for sale financial assets** of €70 million during 2014 related to the NAMA subordinated bonds, the valuation of which was updated following the payment of a discretionary coupon on these bonds and NAMA's updated outlook for its long-term performance. There was no such reversal in the current year.

Income statement - Operating segments

Year ended 31 December 2015	Net interest income €m	Net insurance premium income €m	Other income €m	**Total operating income €m**	Insurance contract liabilities and claims paid €m	**Total operating income net of insurance claims €m**	Operating expenses (before Irish bank levy) €m	Irish bank levy €m	**Operating profit / (loss) before impairment charges on financial assets €m**	Impairment charge on loans and advances to customers €m	Share of results of associates and joint ventures (after tax) €m	Gain on disposal / liquidation of business activities €m	**Profit / (loss) before taxation €m**
Retail Ireland	1,062	-	373	**1,435**	-	**1,435**	(831)	-	**604**	(95)	(2)	-	**507**
BIL	34	1,343	330	**1,707**	(1,504)	**203**	(100)	-	**103**	-	-	-	**103**
Retail UK	716	-	(1)	**715**	-	**715**	(431)	-	**284**	(139)	48	-	**193**
Corporate & Treasury	600	-	293	**893**	-	**893**	(194)	-	**699**	(62)	-	-	**637**
Group Centre	22	7	20	**49**	(7)	**42**	(227)	(38)	**(223)**	-	-	-	**(223)**
Other reconciling items	10	-	(26)	**(16)**	-	**(16)**	-	-	**(16)**	-	-	-	**(16)**
Group - underlying[1]	**2,444**	**1,350**	**989**	**4,783**	**(1,511)**	**3,272**	**(1,783)**	**(38)**	**1,451**	**(296)**	**46**	**-**	**1,201**
Total non-core items													
- Gain on disposal / liquidation of business activities	-		-	**-**	-	**-**	-	-	**-**	-	-	51	**51**
- Cost of Restructuring Programme	-		-	**-**	-	**-**	(43)	-	**(43)**	-	-	-	**(43)**
- Gain arising on movement in the Group's credit spreads	-		11	**11**	-	**11**	-	-	**11**	-	-	-	**11**
- Gross-up for policyholder tax in the Life business	-		11	**11**	-	**11**	-	-	**11**	-	-	-	**11**
- Impact of changes to pension benefits in the Group sponsored defined benefit schemes	-		-	**-**	-	**-**	4	-	**4**	-	-	-	**4**
- Payments in respect of the career and reward framework	-		-	**-**	-	**-**	(2)	-	**(2)**	-	-	-	**(2)**
- Loss on liability management exercises	-		(1)	**(1)**	-	**(1)**	-	-	**(1)**	-	-	-	**(1)**
- Investment return on treasury stock held for policyholder	-		-	**-**	-	**-**	-	-	**-**	-	-	-	**-**
Group total	**2,444**	**1,350**	**1,010**	**4,804**	**(1,511)**	**3,293**	**(1,824)**	**(38)**	**1,431**	**(296)**	**46**	**51**	**1,232**

[1] *Underlying performance excludes the impact of non-core items (see page 27).*

Income statement - Operating segments

Year ended 31 December 2014	Net interest income €m	Net insurance premium income €m	Other income €m	Total operating income €m	Insurance contract liabilities and claims paid €m	Total operating income net of insurance claims €m	Operating expenses (before Irish bank levy) €m	Irish bank levy €m	Operating profit / (loss) before impairment charges on financial assets €m	Impairment charge on loans and advances to customers €m	Reversal of impairment charge on available for sale (AFS) financial assets €m	Share of results of associates and joint ventures (after tax) €m	Loss on disposal / liquidation of business activities €m	Profit / (loss) before taxation €m
Retail Ireland	1,004	-	318	1,322	-	1,322	(817)	-	505	(226)	-	49	-	328
Bank of Ireland Life	43	1,340	924	2,307	(2,078)	229	(96)	-	133	-	-	-	-	133
Retail UK	674	-	2	676	-	676	(364)	-	312	(228)	-	43	-	127
Corporate and Treasury	602	-	217	819	-	819	(178)	-	641	(88)	-	-	-	553
Group Centre	(7)	4	(59)	(62)	(6)	(68)	(184)	(38)	(290)	-	70	-	-	(220)
Other reconciling items	5	-	(9)	(4)	-	(4)	4	-	-	-	-	-	-	-
Group - underlying[1]	2,321	1,344	1,393	5,058	(2,084)	2,974	(1,635)	(38)	1,301	(542)	70	92	-	921
Total non-core items														
- Impact of changes to pension benefits in the Group sponsored defined benefit schemes	-	-	-	-	-	-	93	-	93	-	-	-	-	93
- Cost of restructuring programme	-	-	-	-	-	-	(56)	-	(56)	-	-	-	-	(56)
- Payment in respect of the career and reward framework	-	-	-	-	-	-	(32)	-	(32)	-	-	-	-	(32)
- Charge arising on the movement - in the Group's credit spreads	-	-	(15)	(15)	5	(10)	-	-	(10)	-	-	-	-	(10)
- Gross-up for policyholder tax in the Life business	-	-	14	14	-	14	-	-	14	-	-	-	-	14
- Loss on disposal / liquidation of business activities	-	-	-	-	-	-	-	-	-	-	-	-	(4)	(4)
- Loss on deleveraging of financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Loss on liability management exercises	-	-	(5)	(5)	-	(5)	-	-	(5)	-	-	-	-	(5)
- Investment return on treasury stock held for policyholders	-	-	(1)	(1)	-	(1)	-	-	(1)	-	-	-	-	(1)
Group total	2,321	1,344	1,386	5,051	(2,079)	2,972	(1,630)	(38)	1,304	(542)	70	92	(4)	920

[1] *Underlying performance excludes the impact of non-core items (see page 27).*

Risk Management Report

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The information below in sections or paragraphs denoted as audited in sections 3.1, 3.2, 3.3, 3.4 and 4 and all the tables (except those denoted unaudited) in the Risk Management Report form an integral part of the audited financial statements as described in the Basis of preparation on page 176.

All other information in the Risk Management Report is additional disclosure and does not form an integral part of the audited financial statements.

1 Principal Risks and Uncertainties

Arising from the annual risk identification process, key risks have been identified which could have a material impact on earnings, capital adequacy and / or on the Group's ability to trade in the future. These together with other risks and uncertainties facing the Group and key mitigating considerations are set out below. For many of the risks, the allocation of capital against potential loss is a key mitigant; other mitigating considerations include those outlined below.

This summary should not be regarded as a complete and comprehensive statement of all potential risks, uncertainties or mitigants; nor can it confirm that the mitigants would apply to fully eliminate or reduce the corresponding key risks. Additionally, other factors not yet identified, or not currently material, may adversely affect the Group.

Key Risks	Key Mitigating Considerations
Credit risk Material adverse changes in the economic and market environment the Group operates in, or in the financial condition or behaviour of customers, clients and counterparties, noting the geographic and portfolio concentrations in the Group's loan book, could reduce the value of the Group's assets and potentially increase write-downs and allowances for impairment losses, adversely impacting profitability and / or capital.	• The Group Credit Policy and the Group Risk Appetite Statement incorporating credit category limits have been approved by the Court. • Management of credit risk concentrations is an integral part of the Group's risk management approach with the Group's Risk Appetite Statement specifying a range of exposure limits for credit concentration risk. • The Group has defined credit processes and controls with well-established governance including credit policies, independent credit risk assurance and defined levels of authority for sanctioning lending. • The Group has dedicated workout structures comprising the Group's Mortgage Arrears Resolution Strategies (MARS) and Challenged Assets Group (CAG) which are focused on Non-performing loans and defaulted loans reduction.
Liquidity risk A sudden and significant withdrawal of customer deposits, disruption to the access of funding from wholesale markets, or a deterioration in either the Group's or the Irish sovereign credit ratings could adversely impact the Group's funding and liquidity position.	• The Court has established a comprehensive liquidity monitoring framework whereby management receives daily, weekly and monthly liquidity metrics, liquidity projections and liquidity stress testing results which are monitored against the Court approved Risk Appetite Statement and early warning indicators. • The Group has a well-defined strategic plan which among other factors, articulates and quantifies deposit projections, wholesale funding and lending capacity for all divisions. • The Group has a contingency funding plan which sets out the framework and reporting process for identifying the emergence of liquidity concerns and potential options to remediate. • The Group maintains a contingent liquidity buffer available for use with market counterparties and / or in liquidity operations offered by Monetary Authorities. • The Group's funding and liquidity risk framework contains the liquidity policies, systems and controls which the Group has in place to manage funding and liquidity risk within the risk appetite approved by the Court.

Key Risks	Key Mitigating Considerations
Market risk The Group is exposed to interest rate, foreign exchange, basis and credit spread risk in its banking and insurance businesses.	• The management of market risk, including limits, is governed by the Group's Risk Appetite Statement and by the Group Policy on Market Risk, both of which are approved by the Court. • The Court has established a comprehensive monitoring framework whereby management receives daily, weekly and monthly reports to monitor compliance with the Court's market risk appetite limits and more granular market risk limits and other controls. • The Group substantially reduces its market risk through hedging in external markets. • Value at Risk and extensive stress testing are used to quantify market risks.
Life Insurance risk The Group is exposed to volatility in the amount and timing of claims caused by unexpected changes in mortality, morbidity, longevity and persistency.	• Underwriting standards and limits are in place and apply throughout the policy lifecycle from risk acceptance to claim settlement. • Reinsurance is used to manage the volatility from both individual claims, and aggregate risk exposures. Coverage is placed with a diversified list of approved counterparties. • Management undertakes a rigorous analysis of claims and persistency experiences on a regular basis, and monitors these against the assumptions embedded in its valuation and pricing bases so that these can be adjusted to reflect experience. Management undertakes pro-active operational initiatives in order to manage persistency risk.
Regulatory risk The Group is regulated by a significant number of regulatory authorities (including prudential, conduct, resolution, accounting, tax, legal, stock exchange, data protection etc.) across each of the geographies in which we operate (Ireland, European Union, United Kingdom, United States). These authorities have issued a considerable array of requirements and expectations that the Group must comply with. Regulatory risk includes both Regulatory Change Risk and Compliance Risk. Regulatory change is the risk that a change in laws and regulations that govern the Group will materially impact the Group's business, profitability, capital, liquidity, products or markets. It also includes the risk that the Group fails to take timely action to remediate and / or that the Group fails to effectively manage the regulatory change process. Compliance risk is the risk of failure to comply with existing regulatory / legislative requirements and expectations. It also includes the risk to earnings and capital and the risk of legal or regulatory sanctions, material financial loss, or loss to reputation that the Group may suffer as a result of non-compliance.	• The Group's objective is to be compliant with its regulatory obligations and it has clearly defined compliance accountabilities and management processes that are designed to support this objective. • Business units and Group functions identify, assess, manage, monitor and report risks and seek to have in place controls mitigating those risks. • Processes support the reporting, investigation, resolution and remediation of incidents of non-compliance. • The Group has adopted a regulatory change framework to support the timely identification and appropriate implementation of regulatory changes.

Key Risks	Key Mitigating Considerations
Operational risk The Group is exposed to a broad range of operational risks as a consequence of conducting its day-to-day business activities. Such risks include; the sustainability and integrity of the Group's operations; the availability, resilience, stability and security of core IT systems (including those protecting the Group from cybercrime); risks arising from outsourcing arrangements; and the potential for failings in customer processes including anti-money laundering.	• The Group utilises a number of available strategies in controlling its exposure to operational risk, with the primary strategy being the maintenance of an effective control environment, coupled with appropriate management actions. • The Group has put in place specific policies and risk mitigation measures for operational risks, including but not limited to, financial crime, information security, outsourcing, payments risk, and business disruption risks. • The Group framework, consisting of processes and standards aims to embed adequate and effective risk management practices within business units throughout the Group. • The Group continues to enhance and invest in its processes and standards including identification of and controls for, potentially elevated emerging risks including, information technology and cybercrime and conduct risks.
Business and strategic risk Business and strategic risk assesses (1) the Group's current business model on the basis of its ability to generate acceptable returns over the following twelve months, given its quantitative performance, key success drivers and dependencies, and business environment and (2) the sustainability of the Group's strategy on the basis of its ability to generate acceptable returns, as defined above, over a forward-looking period of at least three years based on its strategic plans and financial forecasts, and an assessment of the business environment.	• The Court receives comprehensive reports at each meeting setting out the current financial performance against budget, multi-year financial projections, capital plans, the monitoring of risks, updates on the economies in which the Group operates, together with developments in the Group's franchises, operations, people, and other business activities. • Early warning indicators are constantly tracked as part of the Court Risk Report. • Business divisional strategy is developed within the boundaries of the Group's strategy as well as the Group's Risk Appetite Statement. These strategies are developed within the divisions and challenged, endorsed, supported and monitored by Group functions and presented to the Court on an at least, annual basis. • An independent Court Risk Report is produced quarterly and reviewed by the GRPC, the CRC and the Court. The content of the report includes an analysis of, and commentary on, the key existing and emerging risk types and also addresses governance, control issues and compliance with risk appetite.

Key Risks	Key Mitigating Considerations
Pension risk The Group sponsored defined benefit pension schemes are currently in deficit under the IAS19 accounting definition, requiring the Group to set aside capital to mitigate these risks. The defined benefit pension schemes are subject to market fluctuations and these movements impact on the Group's capital position, particularly the Group's Common equity tier 1 capital ratio.	• To help manage pension risk, defined benefit (DB) schemes were closed to new entrants in 2007 and a new hybrid scheme (which included elements of defined benefit and defined contribution) was introduced for new entrants to the Group. The hybrid scheme was subsequently closed to new entrants in 2014 and a new defined contribution scheme was introduced for new entrants to the Group from that date. • In addition, the Group implemented two Pension Review programmes in 2010 and 2013 resulting in significant restructurings of DB scheme benefits which were accepted by unions and by staff through individual staff member consent. • In return for the deficit reduction achieved through these programmes, the Group also agreed to increase its support for the schemes, above existing arrangements, so as to broadly match the IAS 19 deficit reduction arising from the benefit changes, and to facilitate a number of de-risking initiatives. • The Group monitors on an ongoing basis the opportunities, at an appropriate cost, of increasing the correlation between the assets and the liabilities of the scheme.
Reputation risk The Group is exposed to the impact of negative public, industry, government or other key external stakeholder opinion arising from how the Group actually conducts, or is perceived to conduct, its business. The Group is also exposed to practices in the banking industry as a whole or in part, and to consumer, political and other issues arising in the external environment. This can damage the Group's reputation leading, potentially, to a loss of business, fines, increased taxation or other penalties.	• The Group has a Court approved Group Communications strategy in place. • The potential impact on reputation is taken into account in decision making throughout the Group. • All Irish, UK and international media contact, and government, political and administrative stakeholder engagement, is actively managed by Group Communications. • Print, broadcast and social media coverage is monitored on an ongoing basis to ensure awareness of and appropriate response to relevant coverage. • Group Corporate Social Responsibility programme in place. • The Group maintains a strong focus on internal communications to ensure that staff are kept informed on relevant issues and developments. • All staff are required to comply with the Group Code of Conduct.

Key Risks	Key Mitigating Considerations
Capital adequacy The Group's business and financial condition would be affected if the Group was, or was considered to be, insufficiently capitalised. This could be caused by a materially worse than expected financial performance and unexpected increases in risk weighted assets. The regulatory requirements imposed on the Group may change in the future. Initiatives including the Capital Requirements Directive (CRD IV), the Capital Requirements Regulation (CRR) and the related regulatory and implementing technical standards, the Bank Recovery and Resolution Directive (BRRD), Solvency II, together with further regulatory reforms and clarifications under consideration, such as the review of risk weightings by the Basel Committee as part of the review of the capital framework and the review of national discretions and options by the SSM, have the potential to impact the Group's capital requirements.	• The Group closely monitors capital and leverage ratios to ensure all regulatory requirements and appropriate market expectations are met. • Comprehensive stress testing / forward-looking ICAAP processes are prepared, reviewed and challenged by the Group including the Court to assess the adequacy of the Group's capital, liquidity and leverage positions. • The Group has a contingency capital plan which sets out the framework and reporting process for identifying the emergence of capital concerns including potential options to remediate same.

Other Risks and Uncertainties	Key Mitigating Considerations
Macroeconomic conditions The Group's businesses may be affected by adverse economic conditions and unexpected changes in commodity prices and interest rates in countries where we have exposures, particularly in Ireland and the UK.	• The Group monitors the impact, risks and opportunities of changing current and forecast macroeconomic conditions on the likely achievement of the Group's strategy and objectives. • The Group manages its exposures in accordance with key risk policies including defined country limits. See also 'credit risk' above. • The Group has in place a comprehensive stress and scenario testing process.
Geopolitical uncertainties Geopolitical uncertainties could impact economic conditions in countries where the Group has exposures, market risk pricing and asset price valuations; potentially reducing returns.	• The Group ensures exposures are managed according to approved risk policies which include maximum single counterparty and country limits. • The Group is diversified in terms of asset class, industry and funding source.
UK European Union referendum Uncertainty relating to the forthcoming UK 'In / Out' referendum could impact the environment in which the Group operates and consequently the Group's performance.	• The Group monitors and assesses potential impacts while managing exposures according to current risk policies.

Other Risks and Uncertainties	Key Mitigating Considerations
Tax rates, legislation and practice Tax risk is the risk of failure to meet new and existing tax compliance requirements and deadlines. The Group is exposed to the risks associated with a change in tax laws, tax rates, regulations or practise and the risks associated with non-compliance with existing requirements. The Group is also exposed to the risk that tax authorities may take a different view to the Group on the treatment of certain items. Failure to demonstrate convincing evidence of the availability of future taxable profits, or changes in tax legislation or government policy may reduce the recoverable amount of the deferred tax assets currently recognised in the financial statements.	• The Group has clearly defined tax compliance procedures to identify, assess, manage, monitor and report tax risks and to ensure controls mitigating those risks are in place and operate effectively. • The Group monitors the expected recovery period for deferred tax assets. • The Group monitors possible changes to tax legislation or government policy and considers any appropriate remedial actions that may be available.
Digital Developments in mobile, social, analytics and cloud technologies have enabled a new breed of 'digital first' propositions, business models and competitors, resulting in evolving customer expectations and related business risk.	• The Group has an ongoing Court agreed business strategy in place which is typically refreshed on an annual basis. In the context of that business strategy, the Group assesses and develops its complementary technology strategy which itself is assessed and monitored on an ongoing basis. • The Group's policies, standards, governance and control models undergo ongoing review to reference the Group's digital strategy and solutions.
People risk People risk relates to inability to recruit and / or retain appropriate numbers and / or calibre of staff and specifically the risk of loss of executives.	• The Group has a Court approved HR strategy providing it with a range of strategies to enable the Group to retain appropriate numbers and / or calibre of staff having regard to remuneration restrictions imposed by government, tax or regulatory authorities. These include Court Talent Reviews including succession planning, Performance Management Framework, and the career and reward framework. The Group's strategies to attract, retain and align the Group's staff with shareholders' interests are complicated by the ongoing obligations under the undertakings required by and given to the State as part of the support for the Group during the financial crisis.
Risk in relation to Irish Government shareholding The risk that the Irish Government, which has a c.14% discretionary shareholding in the Group via the Ireland Strategic Investment Fund, uses its voting rights in a way that might not be in the best interests of the Group's private sector shareholders.	• The Minster for Finance and the Group entered into a Relationship Framework Agreement dated 30 March 2012, the terms of which were prepared in the context of EU and Irish competition law and to accommodate considerations and commitments made in connection with the EU / IMF Programme for Financial Support for Ireland. • The Framework Agreement provides, inter-alia, that the Minister will ensure that the investment in the Group is managed on a commercial basis and will engage with the Group in accordance with best institutional shareholder practice in a manner proportionate to the shareholding interest of the State in the Group.

Other Risks and Uncertainties	Key Mitigating Considerations
Litigation and regulatory proceedings Uncertainty surrounding the outcome of disputes, legal proceedings and regulatory investigations as well as potential adverse judgments in litigation or regulatory proceedings remains a risk.	• The Group has processes in place to seek to ensure the Group's compliance with legal and regulatory obligations, together with clear controls in respect of the management and mitigation of such disputes, proceedings and investigations as may be instigated against the Group from time to time.
Impact of accounting standards IFRS 9 is a new accounting standard to be implemented in 2018. It introduces a forward-looking 'expected credit loss' model, which will lead to changes in the timing of recognition of impairment provisions and charges with a consequent potential impact on capital ratios.	• The implementation of IFRS 9 is a major priority for the Group and a Group IFRS 9 Programme, responsible for its implementation, was established during 2015. The Group IFRS 9 Programme is supported by appropriate external advisors. • The Group continues to assess the impact of implementing IFRS 9, and given the complexity of the standard and scale of IFRS 9 implementation, the quantitative impact on impairment provisions and capital on initial application, or potential volatility in impairment provisions and capital thereafter, is difficult to estimate at this stage. • In addition, while it has been confirmed that IFRS 9 will not be incorporated in the EBA 2016 stress tests, the treatment of IFRS 9 in future stress tests is still to be determined. • Further detail on the Group's IFRS 9 Programme and current activities is set out in the credit risk section of the Risk Management Report on pages 101 and 102.

2 Risk management framework

The Group follows an integrated approach to risk management to ensure that all material classes of risk are taken into consideration and that the Group's overall business strategy and remuneration practices are aligned within its risk and capital management strategies. This integrated approach is set out in the Group Risk Framework, which is approved by the Court of Directors (the Court), following consideration and recommendation by the Court Risk Committee (CRC). It identifies the Group's formal governance process around risk, the framework for setting risk appetite and the approach to risk identification, assessment, measurement, management and reporting.

2.1 Risk identity, appetite and strategy

The Group's risk identity, appetite and strategy are set by the Court.

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

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

Risk appetite is defined in qualitative terms as well as quantitatively through a series of high level limits and targets covering areas such as credit risk, market risk, funding and liquidity risk, and capital measures. These high level limits and targets are cascaded where appropriate into more granular limits and targets across portfolios and business units. Risk appetite guides the Group in its risk taking and related business activities, having regard to managing financial volatility, ensuring solvency and protecting the Group's core franchises and growth platforms. The Group has defined measures to track its profile against the most significant risks that it assumes. Each of these measures has a defined target level or limit, as appropriate, and actual performance is tracked against these target levels or limits.

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

Risk strategy
The Group's risk strategy is to ensure that the Group has clearly defined its risk appetite, that it is reflected in Group strategy and that it has appropriate risk governance, processes and controls in place as articulated in the Group Risk Framework so it:

1. addresses its target markets with confidence;
2. protects its balance sheet; and
3. delivers sustainable profitability.

The Group seeks to pursue its risk strategy by:

- defining risk identity and risk appetite as the boundary condition for the Group's strategic plan and annual operating plan / budget;
- defining the risk principles upon which risks may be accepted;
- ensuring that all material risks are correctly identified, assessed, measured, managed and reported;
- ensuring that capital and funding considerations shape the approach to risk selection / management in the Group;
- allocating clear roles and responsibilities / accountability for the control of risk within the Group;
- avoiding undue risk concentrations;
- engendering a prudent and balanced risk management culture;
- ensuring that the basis of remuneration for key decision makers is consistent with EBA guidelines, as appropriate; and
- ensuring that the Group's risk management structures remain appropriate to its risk profile and take account of lessons learnt and emerging internal and external factors.

2.2 Risk governance

Risk in the Group is controlled within the risk governance framework which incorporates both the Court, risk committees appointed by the Court (e.g. CRC, Group Audit Committee (GAC)), and also the Group Risk Policy Committee (GRPC) and its appointed committees (e.g. Group Credit Committee, Asset & Liability Committee etc.).

The risk governance framework is supported by the Group's management body, with risk responsibilities extending throughout the organisation based on a three lines of defence approach.

- **First line of defence:** primary responsibility and accountability for risk management lies with line management in individual businesses and relevant Group functions. They are responsible for the identification and management of risk at business unit / Group function level including the implementation of appropriate controls and reporting to the Group in respect of all major risk events. Business units / Group functions are accountable for the risks arising in their businesses / functions, and are the first line of defence for the Group in managing them.
- **Second line of defence:** central risk management functions are responsible for maintaining independent risk oversight and ensuring that a risk control framework is in place. They formulate risk policy and strategy, and provide independent oversight and analysis and centralised risk reporting.
- **Third line of defence:** Group Internal Audit (GIA) provides independent, reasonable assurance to key stakeholders on the effectiveness of the Group's risk management and internal control framework. GIA carries out risk based assignments covering Group businesses and functions (including outsourcing providers - subject to the right to audit), with ratings assigned as appropriate. Findings are communicated to senior management and other key stakeholders, with remediation plans monitored for progress against agreed completion dates. Group Credit Review (GCR), an independent function within GIA, is responsible for reviewing the quality and management of credit risk assets across the Group.

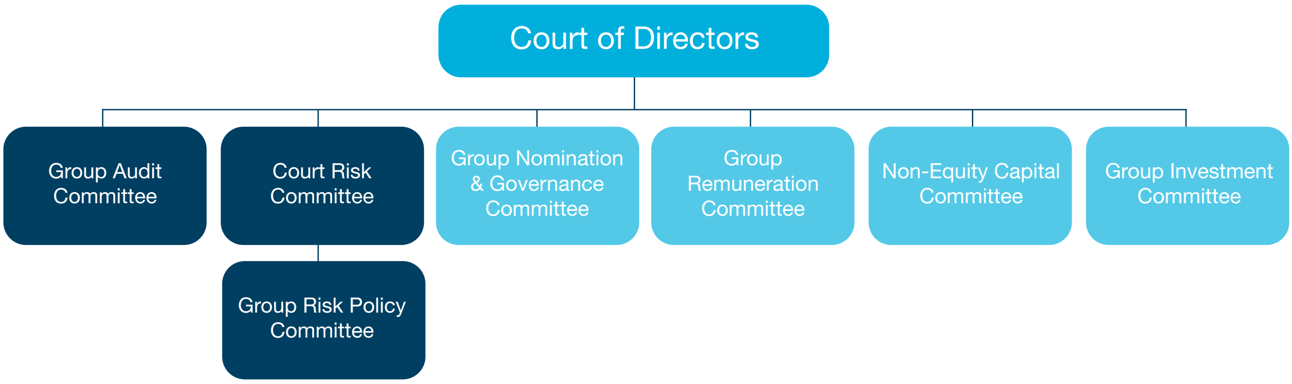
The organisational structure for risk management is designed to facilitate reporting and escalation of risk concerns from business units, Group functions and GIA upwards to GRPC, CRC, GAC and the Court of Directors, and conveying approved risk management policies and decisions to business units.

Risk governance framework
The Court of Directors is responsible for ensuring that an appropriate system of internal control is maintained and for reviewing its effectiveness.

The identification, assessment and reporting of risk in the Group is controlled through risk committees appointed by the Court of Directors and also the GRPC (appointed by the CRC) and its appointed committees.

Each of the risk committees has detailed terms of reference, approved by the Court or their parent committee, setting out their respective roles and responsibilities. In summary, the following are the key responsibilities of the Group's risk committees.

2.2 Risk governance (continued)



- **The Court**, comprising the Governor, nine Non-executive Directors and two Executive Directors, is responsible for approving high level policy and strategic direction in relation to the nature and scale of risk that the Group is prepared to assume to achieve its strategic objectives. It approves the Group Risk Framework which identifies the Group's formal governance process around risk and the approach to risk identification, analysis, measurement, management and reporting. It regularly reviews reports on the size and composition of key risks facing the Group as well as the minutes of direct committees. The Court approves the Group's Risk Appetite Statement (incorporating risk identity and high level risk limits), thereby defining the amount and nature of risk the Group is prepared to accept in pursuit of its financial objectives, and forming a boundary condition to strategy. It has reserved authority to review and approve a number of key risk policies. The Court approves the Group's Recovery Plan. The Court also approves the Group Internal Capital Adequacy Assessment Process (ICAAP) report which is a key process for the Group and facilitates the Court and senior management in adequately identifying, measuring and monitoring the Group's risks and ensures that the Group holds adequate capital to support its risk profile.

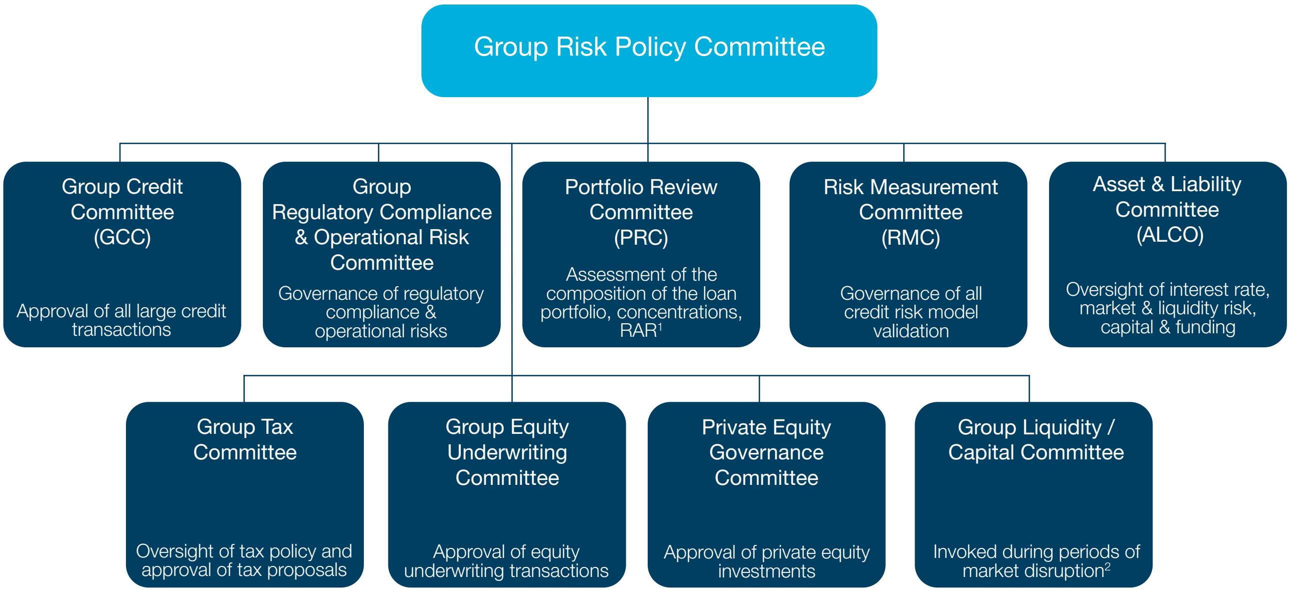
- **The Court Risk Committee (CRC)** comprises Non-executive Directors and its primary responsibilities are to make recommendations to the Court on risk issues where the Court has reserved authority, to maintain oversight of the Group's risk profile (including adherence to Group risk principles, policies and standards), and to approve material risk policies within delegated discretion. It also ensures risks are properly identified and assessed, that risks are properly controlled and managed and that strategy is informed by and aligned with the Group's risk appetite. The committee met ten times during 2015

- **The Group Audit Committee (GAC)** comprises Non-executive Directors. In close liaison with the CRC, it reviews the appropriateness and completeness of the system of internal control, reviews the manner and framework in which management ensures and monitors the adequacy of the nature, extent and effectiveness of internal control systems, including accounting control systems, and thereby maintains an effective system of internal control. It assists the Court in meeting obligations under relevant Stock Exchange Listing Rules, and under applicable laws and regulations, as well as other regulatory requirements (e.g. Pillar III Disclosures), and monitors the integrity of the financial statements.

  The committee met nine times during 2015.

- **The Group Risk Policy Committee (GRPC)** is the most senior management risk committee and reports to the CRC. It is chaired by the Chief Credit & Market Risk Officer (CCMRO) and its membership comprises members of the Group Executive team and Group wide divisional and control function executives. It met 24 times during 2015. The GRPC is responsible for managing all risk types across the Group, including monitoring and reviewing the Group's risk profile and compliance with risk appetite and other approved policy limits, approving risk policies and actions within discretion delegated to it by the CRC. The GRPC reviews and makes recommendations on all risk matters where the Court and the CRC has reserved authority. The CRC oversees the decisions of the GRPC through a review of the GRPC minutes and reports from the Committee Chairman. The GRPC delegates specific responsibility for oversight of the major classes of risk (including credit, market, liquidity, operational, regulatory and tax) to committees that are accountable to it. The relevant committees are set out in the following diagram.

2.2 Risk Governance (continued)



[1] *Risk-adjusted returns (RAR).*
[2] *The committee ceased meeting in 2013 as circumstances no longer warranted its invocation.*

Management oversight of risk
Consistent with the three lines of defence approach to risk management, business units and relevant Group functions are the first line of defence and are accountable for the risks in their business unit / Group function and are responsible for the identification and management of those risks.

Central risk and Group management functions are responsible for establishing a risk control framework and for risk oversight. These are referred to as 'Risk Owners'.

Risk Owners are responsible for ensuring that:
- a policy or a process is in place for the risks assigned to them;
- exposure to the risk is correctly identified, assessed according to the Group's materiality criteria, and reported; and
- identified risk events are appropriately managed or escalated.

There are two key functions in the Group responsible for managing different aspects of risk - the Credit & Market Risk function and Group Governance Risk function:
- Credit & Market Risk is responsible for the independent oversight of credit risk and the monitoring of market risk within the Group as well as for the centralised management of certain challenged portfolios. It assists the Court in the setting of risk appetite for the Group and the formulation of Credit & Market Risk policies. It is also responsible for oversight of risk models and for integrated risk reporting within the Group;
- Group Governance Risk is responsible for the management of regulatory, compliance and operational risk, Group Legal Services and the Group Secretariat.

In addition a number of other Group functions have responsibility for the Group's other key risk types, namely Group Treasury (liquidity risk), Group Communications (reputation risk) and Group Finance (pension risk). Business and strategic risk is managed by the relevant Divisional Chief Executive Officers, with risk ownership assigned to Group Strategy & Development and Group Finance; life insurance risk is managed within NIAC, an independent regulated subsidiary with its own independent board, with risk ownership assigned to the Head of Actuarial Function NIAC.

2.3 Risk identification, measurement and reporting

Risk identification
Risks facing the Group are identified and assessed annually through the Group's annual Risk Identification Process. Arising out of the Risk Identification Process, the identified risks are aggregated and the key risk types are identified which could have a material impact on the Group's earnings, capital adequacy and / or on its ability to trade in the future. These key risk types, of which there are currently ten, form the basis on which risk is managed and reported in the Group.

A risk owner is assigned to each key risk category and appropriate policies and / or processes put in place and a formalised measurement and management process defined and implemented.

Business and strategic risk is the volatility of the Group's projected outcomes (including income, net worth or reputation) associated with damage to the franchise or operational economics of a business and reflected in the income or net worth of the Group. It includes volatilities caused by changes in the competitive environment, new market entrants, new products or failure to develop and execute a strategy or anticipate or mitigate a related risk.

Typically business risk is assessed over a one year timeframe and relates to volatilities in earnings caused by changes in the competitive environment, new market entrants and / or the introduction of new products and / or inflexibility in the cost base. Strategic risk generally relates to a longer timeframe and pertains to volatilities in earnings arising from failure to develop or execute an appropriate strategy.

Credit risk is the risk of loss resulting from a counterparty being unable to meet its contractual obligations to the Group in respect of loans or other financial transactions. This risk comprises country risk, default risk, recovery risk, exposure risk, the credit risk in securitisation, cross border (or transfer) risk, concentration risk and settlement risk.

Life insurance risk is the volatility in the amount and timing of claims caused by unexpected changes in mortality, morbidity, persistency and longevity.

- **Mortality risk** is the risk of deviations in timing and amounts of cash flows due to the incidence or non-incidence of death.
- **Longevity risk** is the risk of such deviations due to increasing life expectancy trends among policyholders and pensioners, resulting in higher than normal payout ratios.
- **Persistency risk** is the risk to profitability if policies surrender early as the company will lose the future income streams on these contracts.
- **Morbidity risk** is the risk of deviations in timing and amount of cash flows (such as claims) due to incidence or non-incidence of disability and sickness.

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

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

Model risk is the risk of loss resulting from the Group's suite of models (credit, market, liquidity and operational) inaccurately measuring the risk of the Group's exposures, resulting in the Group mispricing deals, holding insufficient or too much capital (economic and / or regulatory) and / or liquidity and being subject to economic, regulatory and / or market censure.

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

Pension risk is the risk in the Group's defined benefit pension schemes that the assets are inadequate or fail to generate returns that are sufficient to meet the schemes' liabilities. This risk crystallises for the sponsor when a deficit emerges of a size which implies a material probability that the liabilities will not be met.

Regulatory risk is the risk of failure to meet new or existing regulatory and / or legislative requirements and deadlines or to embed requirements into processes. It also includes the risk to the Group's capital, liquidity and profitability from the impact of future legislative and regulatory changes.

Reputation risk is the risk to earnings or franchise value arising from an adverse perception of the Group's image on the part of customers, suppliers, counterparties, shareholders, investors, staff, legislators or regulators. This risk typically materialises through a loss of business in the areas affected.

In addition to, and separate from, the Group's Risk Identification Process, a review of the top five risks facing the Group is carried out on a semi-annual basis. This review facilitates a senior management assessment of any new or emerging macro threats to the Group, independent of the risk management and reporting structures that apply to the above ten key risk types. Members of the Group Executive Committee (GEC) and the GRPC identify and rank the top five risks facing the Group for consideration by the CRC and the Court. The following criteria are used to identify and assess the top five risks:

- the severity of the risk in terms of materiality and the length of time it would take the Group to recover;
- the likelihood of the risk occurring; and
- the impact of the risk, taking mitigants and likelihood into account.

2.3 Risk identification, measurement and reporting (continued)

Risk measurement
The ten identified key risk types are actively analysed and measured in line with the formalised policies and management processes in place for each risk type.

For credit, market, liquidity, operational and life insurance risk, risk models are used to measure, manage and report on these respective risk types. Risk concentrations, in particular for credit and liquidity / funding risk, could lead to increased volatility in the Group's expected financial outcomes. Risk limits and diversification, together with regular review processes, are in place to manage such risk concentrations. Additionally, the Group's calculation of economic capital takes into consideration the extent to which credit concentration risk exists in respect of single name, sector and geography.

At Group level, common measures and approaches for risk aggregation and measurement have also been adopted, in order to inform operational and strategic plans and to steer the business within the boundaries of its risk appetite. These include one-year or multi-year forecasting / stress testing and a capital allocation framework which incorporates economic capital modelling and risk adjusted return analysis.

The Group uses a suite of risk measurement models and systems to support decision-making processes at transaction and portfolio levels, e.g. approving a loan facility to a borrower.

The common measure of return on risk used by the Group is Risk Adjusted Return on Capital (RAROC). RAROC provides a uniform measure of performance that the Group utilises to analyse the economic profitability of businesses with different sources of risk and different capital requirements.

Forecasting and stress testing are risk management tools used by the Group to inform potential risk outcomes under different scenarios and mitigating actions.

The Group conducts solvency stress tests in order to assess the impacts of severe but plausible scenarios on the Group's impairment charges on financial assets, deleveraging losses, earnings, capital adequacy, liquidity and financial prospects.

The results of solvency stress tests are used to assess the Group's resilience to severe scenarios and to aid the identification of potential areas of vulnerability. The tests are applied to the existing risk exposures of the Group and also consider changing business volumes as envisaged in the Group's business plans and strategies. Macroeconomic scenarios of different levels of severity are combined with assumptions on volume changes and margin development. Impacts are measured in terms of potential impairment charges on financial assets, earnings, capital adequacy, liquidity and financial prospects. Solvency stress test results are presented to the GRPC, the CRC and the Court.

The Group also performs other scenario analyses and stress tests to measure exposure to liquidity risk, operational risk, life insurance and market risk to inform management and limit setting of individual risks.

Risk reporting
The key risk types identified under the Group's risk identification process are assessed and their status is reported quarterly by the CCMRO in the Court Risk Report which is reviewed by the GRPC, the CRC and the Court. The content of the report includes an analysis of and commentary on all key risk types as set out on page 72. It also addresses governance and control issues and compliance with risk appetite. On a monthly basis, detailed updates are provided on Credit, Liquidity, and Operational risks together with updates on capital management.

The reports also provide data on the external economic environment and management's view of the implications of this environment on the Group's risk profile. The Court Risk Report forms the top of a reporting hierarchy with more detailed risk information being considered by divisional level management.

The CRC also receives risk information through its review of the GRPC minutes and through investigations carried out into specific risk matters.

3 Management of key Group risks

3.1 Credit risk

Key points:

- The macroeconomic environment and outlook in Ireland and the UK, which are the Group's key markets, continued to be favourable in 2015.
- Asset quality trends have continued to improve in line with expectations.
- Total loans and advances to customers (before impairment provisions) increased to €90.6 billion at 31 December 2015 from €89.5 billion at 31 December 2014, primarily reflecting the strength of sterling during the year.
- The Group has expanded its risk disclosures for mortgage loans. In addition to the traditional disclosure of 'defaulted' and 'non-defaulted' loans, the Group has provided additional information on probationary residential mortgages - 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.
- The Group has also provided additional information on Non-performing loans which comprises both defaulted loans and the additional category of probationary mortgages (as defined on page 83).
- Non-performing loans have reduced by €3.8 billion to €12.0 billion at 31 December 2015, with reductions across all asset classes. Non-performing loans comprise defaulted loans of €10.6 billion (down from €14.3 billion at 31 December 2014) and probationary residential mortgages of €1.4 billion (down from €1.5 billion at 31 December 2014).
- The significant reductions in both Non-performing loans and defaulted loans in 2015 reflect the Group's ongoing progress with resolution strategies that include appropriate and sustainable support to customers who are in financial difficulty. This resolution activity has been aided by the continued recovery in economic and property market conditions.
- Provision cover on Non-performing loans was 49% at 31 December 2015 compared to 47% at 31 December 2014. Likewise, provision cover on defaulted loans also increased in the year, from 52% at 31 December 2014 to 56% at 31 December 2015.
- Total impairment charges on loans and advances to customers of €296 million have fallen significantly on the prior year (31 December 2014: €542 million).

Definition of Credit Risk

(audited)

Credit Risk is the risk of loss resulting from a counterparty being unable to meet its contractual obligations to the Group in respect of loans or other financial transactions. This risk comprises country risk, default risk, recovery risk, exposure risk, the credit risk in securitisation, cross border (or transfer) risk, concentration risk and settlement risk. At portfolio level, credit risk is assessed in relation to the degree of name, sector and geographic concentration to inform the setting of appropriate risk mitigation and transfer mechanisms, and to assess risk capital requirements. Credit risk appetite limits are set by the Court with respect to maximum drawn exposures by credit category, by region and single name. The manner in which the Group's exposure to credit risk arises, its policies and processes for managing it and the methods used to measure and monitor it are set out below.

How Credit Risk arises

Credit risk arises from loans and advances to customers. It also arises from the financial transactions the Group enters into with financial institutions, sovereigns and state institutions. It comprises both drawn exposures and exposures the Group has committed to extend. While the Group could potentially suffer loss to an amount equivalent to its undrawn commitments, the Group does not expect to incur losses to that extent as most consumer related commitments can be cancelled by the Group and non-consumer related commitments are entered into subject to the customer continuing to achieve specific credit standards.

The Group is also exposed to credit risk from its derivatives, available for sale financial assets, other financial assets and from its reinsurance activities in NIAC.

Country risk

Country risk is the risk that sovereign or other counterparties within a country may be unable, unwilling or precluded from fulfilling their cross-border obligations due to changing political, financial or economic circumstances such that a loss to the Group may arise. This also includes credit transfer risk which is the risk of loss due to restrictions on the international transfer of funds. The Group is exposed to country risk. Exposures are managed in line with approved policy and country maximum exposure limits.

Country risk is governed by the Group Country Risk Policy which is approved by the Court. Limits are set and monitored for countries and for sovereign obligors in accordance with this policy.

Settlement risk

Settlement risk arises in any situation where a payment in cash, securities or

3.1 Credit risk (continued)

Definition of Credit Risk (continued)

equities is made in expectation of a corresponding receipt in cash, securities or equities. Appropriate policies exist and settlement limits are monitored.

Credit concentration risk
Credit concentration risk is the risk of loss due to exposures to a single entity or group of entities engaged in similar activities and having similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Undue concentrations could lead to increased volatility in the Group's impairment charges on financial assets, earnings, capital requirements and financial prospects. Management of risk concentrations is an integral part of the Group's approach to risk management. Target levels and, where appropriate, limits are defined by the Court for each credit category. In addition, monetary risk limits are set by the GRPC or its appointed committees and, where necessary, approved by the Court. These target levels and, where appropriate, limits, are informed by the Group's Risk Appetite Statement. Single name concentrations are also subject to limits.

Large exposures *(unaudited)*
The Group's Risk Appetite Statement and regulatory requirements set out maximum exposure limits to a customer or a group of connected customers. The limits and regulatory requirements cover both bank and non-bank counterparties.

The Group's Risk Appetite Statement specifies a range of exposure limits for credit concentration risk.

The Group also monitors single customer exposure against regulatory requirements. As at 31 December 2015, the Group's 20 largest exposures (excluding exempt exposures) reported under the Capital Requirements Regulation (CRR) large customer exposures regulatory regime amounted to €5.1 billion.

Credit related commitments
The Group manages credit related commitments that are not reflected as loans and advances on the balance sheet on the same basis as loans for credit approval and management purposes.

These include:
- guarantees and standby letters of credit;
- performance or similar bonds and guarantees;
- documentary and commercial letters of credit;
- commitments; and
- letters of offer.

Further information on the Group's exposures is set out in note 44.

Credit risk management
(audited)

The Group's approach to the management of credit risk is focused on a detailed credit analysis at origination followed by early intervention and active management of accounts where creditworthiness has deteriorated. The Credit & Market Risk function has responsibility for the independent oversight of Credit & Market Risk, and for overall risk reporting to the GRPC, the CRC and the Court on developments in these risks and compliance with specific risk limits. It is led by the CCMRO who reports directly to the Group Chief Executive. The function provides independent oversight and management of the Group's credit risk strategy, credit risk management information and credit risk underwriting as well as strategic oversight and management of certain challenged portfolios.

Credit policy
The core values and principles governing the provision of credit are contained in Group Credit Policy which is approved by the Court. Individual business unit credit policies define in greater detail the credit approach appropriate to the units concerned. These policies are aligned with and have regard to, the Group's Risk Appetite Statement and applicable credit limits, the lessons learned from the Group's loss history, the markets in which the business units operate and the products which they provide. In a number of cases business unit policies are supplemented by sectoral / product credit policies.

Each staff member involved in developing banking relationships and / or in assessing or managing credit has a responsibility to ensure compliance with these policies. There are procedures for the approval and monitoring of exceptions to policy.

Lending authorisation
The Group's credit risk management systems operate through a hierarchy of lending authorities which are related to internal loan ratings. All exposures above certain levels require approval by the Group Credit Committee (GCC). Other exposures are approved according to a system of tiered individual authorities which reflect credit competence, proven judgment and experience. Material lending proposals are referred to credit units for independent assessment / approval or formulation of a recommendation for subsequent adjudication by the applicable approval authority.

Counterparty credit risk arising from derivatives
Credit risk exposure arising from derivative instruments is managed as part of the overall lending limits to customers and financial institutions. Credit risk exposure on derivative transactions is

3.1 Credit risk (continued)

Credit risk measurement
(audited)

calculated using the current value of the contract (on a mark to market basis) and an estimate of the maximum cost of rewriting the contract in the event of counterparty default. The credit process also limits gross derivative positions.

All credit transactions are assessed at origination for credit quality and the borrower is assigned a credit grade based on a predefined credit rating scale. The risk, and consequently the credit grade, is reassessed periodically. The use of internal credit rating models and scoring tools, which measure the degree of risk inherent in lending to specific counterparties, is central to the credit risk assessment and ongoing management processes within the Group. Details of these internal credit rating models are outlined in the section on credit risk methodologies on pages 95 and 96.

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

The identification of loans for assessment as impaired is driven by the Group's credit risk rating systems. It is the Group's policy to provide for impairment promptly and consistently across the loan book. For those loans that become impaired, the focus is to minimise the loss that the Group will incur from such impairment. This may involve implementing forbearance solutions, entering into restructuring arrangements or action to enforce security.

Other factors taken into consideration in estimating provisions include domestic and international economic climates, changes in portfolio risk profile, and the effect of any external factors such as legal or competition requirements. Whilst provisioning is an ongoing process, all business units formally review and confirm the appropriateness of their provisioning methodologies and the adequacy of their impairment provisions on a half yearly basis. Their conclusions are reviewed by the Credit & Market Risk function and the GRPC.

Under delegated authority from the Court, the Group's provisioning methodology is approved by the GRPC on a half yearly basis, details of which are set out in credit risk methodologies on page 96. On an annual basis, the CRC provides observations on the Group's asset quality management and profile to the GAC as an input into the GAC's assessment of year end impairment provisions.

The quantum of the Group's impairment charge, Non-performing loans, defaulted loans and impairment provisions are also reviewed by the GRPC in advance of providing a recommendation to the GAC.

An analysis of the Group's impairment provisions at 31 December 2015 is set out in note 28.

Credit risk mitigation
(audited)

An assessment of the borrower's ability to service and repay the proposed level of debt (principal repayment source) is undertaken for credit requests and is a key element in the Group's approach to mitigating risk. In addition, the Group mitigates credit risk through the adoption of both proactive preventative measures (e.g. controls and limits) and the development and implementation of strategies to assess and reduce the impact of particular risks should these materialise, including hedging, securitisation and the taking of collateral (which acts as a secondary repayment source).

Controls and limits
The Group imposes credit risk control limits and guide points to mitigate significant concentration risk. These limits and guide points are informed by the Group's Risk Appetite Statement which is approved annually by the Court.

The Court approves country maximum exposure guide points based on the Group's country risk rating models which are supported by external ratings. Maximum exposure limits for exposures to banks are also approved by the GRPC for each rating category based on credit risk modelling techniques combined with expert judgement.

Risk transfer and financing strategies
The objective of risk mitigation / transfer is to limit the risk impact to acceptable (quantitative and qualitative) levels. Where the risk review process indicates the possible emergence of undue risk concentrations, appropriate risk transfer and mitigation options are explored and recommended to the Portfolio Review Committee (PRC).

Collateral
Credit risk mitigation includes the requirement to obtain collateral, depending on the nature of the product and local market practice, as set out in the Group's policies and procedures. The nature and level of collateral required depends on a number of factors including, but not limited to, the amount of the exposure, the type of facility made available, the term of the facility, the amount of the borrower's own cash input and an evaluation of the level of risk or Probability of Default (PD). The Group

3.1 Credit risk (continued)

Credit risk mitigation (continued)

takes collateral as a secondary source, which can be called upon if the borrower is unable or unwilling to service and repay debt as originally assessed.

Various types of collateral are accepted, including property, securities, cash, guarantees and insurance, grouped broadly as follows:

- financial collateral (lien over deposits, shares, etc.);
- residential and commercial real estate;
- physical collateral (plant and machinery, stock, etc.); and
- other collateral (debtors, guarantees, insurance, etc.).

The Group's requirements around completion, valuation and management of collateral are set out in appropriate Group or business unit policies and procedures. The extent to which collateral and other credit enhancements mitigate credit risk in respect of the Group's Residential mortgage portfolio is set out in table 3c on pages 365 and 384.

Counterparty credit risk arising from derivatives

The Group has executed standard internationally recognised documents such as International Swaps and Derivative Association (ISDA) agreements and Credit Support Annexes (CSAs) with its principal interbank derivative counterparties. The purpose of a CSA is to limit the potential cost of replacing derivative contracts at market prices in the event of default by the counterparty. A very high proportion of the Group's interbank derivatives book is covered by CSAs and is hence collateralised, primarily through cash.

Credit risk reporting / monitoring

(audited)

It is the Group's policy to ensure that adequate up to date credit management information is available to support the credit management of individual account relationships and the overall loan portfolio.

Credit risk at a Group, divisional and significant operating unit / product type level is reported on a monthly basis to senior management. This monthly reporting includes information and detailed commentary on loan book growth, quality of the loan book (credit grade and PD profiles and risk weighted assets) and loan impairment provisions including individual large impaired exposures. Changes in sectoral and single name concentrations are tracked on a quarterly basis highlighting changes to risk concentration in the Group's loan book. A report on exceptions to credit policy is presented to and reviewed by the GRPC, CRC and the Court on a quarterly basis. The Group allocates significant resources to ensure ongoing monitoring and compliance with approved risk limits.

The PRC considers and recommends to the GRPC, on a quarterly basis, credit concentration reports which track changes in sectoral and single name concentrations measured under agreed parameters. Credit risk, including compliance with key credit risk limits, is reported monthly in the Court Risk Report. This report is presented to and discussed by the GRPC and the Court. The quarterly Court Risk Report is also presented to and discussed by the CRC.

In addition other reports are submitted to senior management and the Court as required.

Group Credit Review (GCR), an independent function within Group Internal Audit, reviews the quality and management of credit risk assets across the Group. Using a risk based approach, GCR carries out periodic reviews of Group lending portfolios, lending units and credit units.

3.1 Credit risk (continued)

Management of challenged assets

(audited)

The Group has in place a range of initiatives to manage challenged and vulnerable credit. These include:

- enhanced collections and recoveries processes;
- specialist work-out teams to ensure early intervention in vulnerable cases;
- intensive review cycles for ‘at risk’ exposures and the management of excess positions;
- support from central teams in managing ‘at risk’ portfolios at a business unit level; and
- modified and tighter lending criteria for specific sectors.

The segregation of certain challenged portfolios and the realignment of resources to manage these assets allows the remaining portfolio managers to focus on the loan book classified as ‘Acceptable quality’ or better and to work closely with those customers.

Group forbearance strategies

Forbearance occurs when a borrower is granted a temporary or permanent concession or agreed change to a loan (‘forbearance measure’) for reasons relating to the actual or apparent financial stress or distress of that borrower. If the concession or agreed change to a loan granted to a borrower is not related to the actual or apparent financial stress or distress of that borrower, forbearance has not occurred. A loan which has an active ‘forbearance measure’ is a ‘forborne loan’. The Group definition of forbearance is consistent with the CBI regulatory definition of forbearance.

A range of forbearance strategies are used by the Group for customers in arrears or facing potential arrears on contracted loan repayments, in order to arrange, where viable, sustainable short-term or longer term repayment solutions as appropriate. A forbearance strategy may include, but is not necessarily limited to, one or more of the following measures:

- adjustment or non-enforcement of covenants: an arrangement whereby the Group agrees to either waive an actual or expected covenant breach for an agreed period, or adjust the covenant(s) to reflect the changed circumstances of the borrower;
- facilities in breach of terms placed on demand: an arrangement whereby the Group places a facility in breach of its contractual terms on a demand basis as permitted under the facility agreement rather than enforcing, pending a more long-term resolution;
- reduced payments (full interest): an arrangement where the borrower pays the full interest on the principal balance, on a temporary or longer term basis, with the principal balance unchanged, rather than repaying some of the principal as required under the original facility agreement;
- reduced payment (greater than full interest) incorporating some principal repayments: a temporary or medium term arrangement where the borrower pays the full interest due plus an element of principal due on the basis that principal payments will increase in the future;
- capitalisation of arrears: an arrangement whereby arrears are added to the principal balance, effectively clearing the arrears, with either the repayments or the original term of the loan adjusted accordingly to accommodate the increased principal balance; and
- term extension: an arrangement where the original term of the loan is extended.

The forbearance strategies adopted by the Group seek to maximise recoveries and minimise losses arising from non-repayment of debt, while providing suitable and sustainable restructure options that are supportive of customers in challenged circumstances. The Group has an operating infrastructure in place to assess and, where appropriate, implement such options on a case-by-case basis. Group Credit Policy outlines the core principles and parameters underpinning the Group’s approach to forbearance with individual business unit policies defining in greater detail the forbearance strategies appropriate to each unit.

Forbearance requests are assessed on a case-by-case basis taking due consideration of the individual circumstances and risk profile of the customer to ensure, where possible, the most suitable and sustainable repayment arrangement is put in place. Forbearance will always be a trigger event for the Group to undertake an assessment of the customer’s financial circumstances and ability to repay prior to any decision to grant a forbearance treatment. This assessment may result in a disimprovement in the credit grade assigned to the loan, potentially impacting how frequently the loan must be formally reviewed; and, where impairment is deemed to have occurred, will result in a specific provision. Where appropriate, and in accordance with the Group’s credit risk management structure, forbearance requests are referred to credit units for independent assessment prior to approval by the relevant approval authority.

Forborne loans are reviewed in line with the Group’s credit management processes, which include monitoring borrower compliance with the revised terms and conditions of the forbearance arrangement. Loans to which forbearance has been applied continue to be classified as forborne until the forbearance measure expires. The Group does not currently apply a set time period after which the forbearance classification on a performing forborne loan is discontinued but may do so in future. Borrower compliance with revised terms and conditions may not be achieved in all cases. Non-compliance could for example arise because the individual circumstances and risk profile of the borrower continue to deteriorate, or fail to show an expected improvement, to the extent that an agreed reduced level of repayment can no longer be met. In the event of non-compliance, a request for

3.1 Credit risk (continued)

Management of challenged assets (continued)

further forbearance may be considered. It is possible that the Group, by virtue of having granted forbearance to a borrower, could suffer a loss that might otherwise have been avoided had enforcement action instead been taken - this could for example arise where the value of security held in respect of a loan diminishes over the period of a forbearance arrangement which ultimately proves unsustainable.

It is the Group's policy to measure the effectiveness of forbearance arrangements over the lifetime of those arrangements. A forbearance arrangement is considered to be effective where the risk profile of the affected borrower stabilises or improves over the measured time period, resulting in an improved outcome for the Group and the borrower. The measurement of effectiveness takes account of the nature and intended outcome of the forbearance arrangement and the period over which it applies.

Book profile - Loans and advances to customers

(unaudited)

Loans and advances to customers are shown in the tables below and in the tables on pages 84 to 93.

Geographical and industry analysis of loans and advances to customers including held for sale
The following table gives the geographical and industry breakdown of total loans (before impairment provisions).

31 December 2015 **Geographical / industry analysis**[1]	**RoI** **€m**	**UK** **€m**	**RoW** **€m**	**Total** **€m**
Personal	26,549	29,695	-	56,244
- Residential mortgages	*24,991*	*27,914*	-	*52,905*
- Other consumer lending	*1,558*	*1,781*	-	*3,339*
Property and construction	8,130	5,227	-	13,357
- Investment	*6,884*	*4,504*	-	*11,388*
- Land and development	*1,246*	*723*	-	*1,969*
Business and other services	5,932	2,514	502	8,948
Distribution	2,720	254	20	2,994
Manufacturing	2,881	561	555	3,997
Transport	1,340	134	75	1,549
Financial	839	120	13	972
Agriculture	1,624	412	-	2,036
Energy	463	35	-	498
Total	**50,478**	**38,952**	**1,165**	**90,595**

[1] The geographical breakdown is primarily based on the location of the business unit where the asset is booked.

3.1 Credit risk (continued)

Book profile - Loans and advances to customers (continued)

31 December 2014 Geographical / industry analysis[1]	RoI €m	UK €m	RoW €m	Total €m
Personal	27,072	26,865	-	53,937
- Residential mortgages	*25,588*	*25,395*	-	*50,983*
- Other consumer lending	*1,484*	*1,470*	-	*2,954*
Property and construction	8,762	6,457	-	15,219
- Investment	*7,150*	*5,372*	-	*12,522*
- Land and development	*1,612*	*1,085*	-	*2,697*
Business and other services	6,332	2,310	299	8,941
Distribution	2,736	147	-	2,883
Manufacturing	2,798	728	525	4,051
Transport	1,267	101	23	1,391
Financial	569	87	26	682
Agriculture	1,454	496	-	1,950
Energy	456	30	-	486
Total	51,446	37,221	873	89,540

[1] *The geographical breakdown is primarily based on the location of the business unit where the asset is booked.*

The Group's primary markets are Ireland and the UK and exposures originated and managed in these countries represent a material concentration of credit risk. Similarly, the Group exhibits a material concentration in Residential mortgages and in the Property and construction sector.

The Group's Residential mortgage portfolio is widely diversified by individual borrower and amounted to 58% of total loans and advances to customers at 31 December 2015 (31 December 2014: 57%). 47% of Residential mortgages related to Ireland (31 December 2014: 50%) and 53% related to the UK at 31 December 2015 (31 December 2014: 50%) with the change in mix driven in part by the euro / sterling exchange rate. At 31 December 2015, the Group's UK Residential mortgage book amounted to £20.5 billion (31 December 2014: £19.8 billion) (before impairment provisions).

The Property and construction sector accounted for 15% or €13.4 billion of total loans and advances to customers at 31 December 2015 (31 December 2014: 17% or €15.2 billion), reflecting the Group's ongoing resolution activity in this sector (Property and construction Non-performing loans reduced by €2.2 billion in the year). The Group's Property and construction loan book consists primarily of Investment property loans.

3.1 Credit risk (continued)

Impairment charges / (reversals) on loans and advances to customers *(unaudited)*

For an analysis of the Group's impairment charge on forborne loans and advances to customers see page 411 in the supplementary asset quality and forbearance disclosures.

Impairment charges / (reversals) on loans and advances to customers Composition	**Year ended 31 December 2015 €m**	Year ended 31 December 2014 €m	Change %
Residential mortgages	(96)	(148)	35%
- Retail Ireland	*(84)*	*(140)*	*40%*
- Retail UK	*(12)*	*(8)*	*(50%)*
Non-property SME and corporate	149	218	(32%)
- Republic of Ireland SME	*86*	*127*	*(32%)*
- UK SME	*(2)*	*17*	*n/m*
- Corporate	*65*	*74*	*(12%)*
Property and construction	246	451	(45%)
- Investment	*173*	*307*	*(44%)*
- Land and development	*73*	*144*	*(49%)*
Consumer	(3)	21	n/m
Total impairment charges / (reversals) on loans and advances to customers	**296**	**542**	**(45%)**

Impairment charges on loans and advances to customers of €296 million for the period ended 31 December 2015 were €246 million or 45% lower than the previous year. The impairment charges for the previous year incorporated an estimated €280 million net reduction in collective impairment provisions for Retail Ireland mortgages, reflecting the combined impact of the updated collective provisioning model parameters and assumptions and improved portfolio performance and economic conditions in 2014.

The significant reduction in impairment charges for 2015 reflects the strong performance of the Group's loan portfolios, the continued reductions in both non-performing and defaulted loans, and improvements in the economic environment in the countries in which the Group's portfolios are located.

The significant reductions in both non-performing and defaulted loans reflect our ongoing progress with resolution strategies that include appropriate and sustainable support to viable customers who are in financial difficulty.

Impairment charges across all of the Group's asset classes were lower in 2015 as compared to the previous year.

The impairment reversal on **Residential mortgages** of €96 million for the year ended 31 December 2015 compares to an impairment reversal of €148 million in the previous year.

The impairment reversal on the Retail Ireland mortgage portfolio of €84 million for the year ended 31 December 2015 compares to an impairment reversal of €140 million in the previous year. The Retail Ireland mortgage impairment reversal in 2014 incorporated an estimated €280 million net reduction in collective impairment provisions, reflecting the combined impact of the updated collective provisioning model parameters and assumptions and improved portfolio performance and economic conditions in 2014. The Retail Ireland mortgage impairment reversal is lower in the current year compared to the previous year due to the more impactful update of the collective provisioning model parameters and assumptions in 2014.

The impairment reversal in the current year reflects improvements in book performance, in particular lower default rates and higher cures on foot of resolution activity, and improved economic conditions. Retail Ireland mortgage default arrears reduced significantly in 2015 in both the Owner occupied and Buy to let market segments. Retail Ireland mortgage default arrears are at their lowest level, in terms of reporting periods, since December 2011, and have reduced by over 40% from peak levels in 2013.

The impairment charge on the **Non-property SME and corporate** loan portfolio of €149 million for the year ended 31 December 2015 has decreased by €69 million or 32% from the previous year. Impairment charges have reduced across each of the Group's non-property portfolios, reflecting improved macroeconomic and trading conditions in both the domestic Irish and international markets.

The impairment charge on the **Property and construction** loan portfolio of €246 million for the year ended 31 December

3.1 Credit risk (continued)

Impairment charges / (reversals) on loans and advances to customers (continued)

2015 has decreased by €205 million or 45% from the previous year. The impairment charge on the Investment property element of the Property and construction portfolio was €173 million for the year ended 31 December 2015 compared to €307 million in the previous year. Lower impairment charges reflect the continued recovery in investment property markets in both RoI and the UK. Similar to the Non-property SME and corporate portfolio, current year impairment charges relate to individual case specific events and continued resolution activity. Significantly lower impairment charges on the Land and development element of the Property and construction portfolio reflects the already substantially provisioned nature of this portfolio.

The impairment reversal of €3 million on **Consumer** loans for the year ended 31 December 2015 reflects the benefits of the recovery in macroeconomic conditions, and thus lower levels of default and higher cures particularly in the Retail Ireland Consumer portfolios.

Impairment charge by nature of impairment provision	**Year ended 31 December 2015 €m**	Year ended 31 December 2014 €m
Specific charge individually assessed	541	865
Specific charge collectively assessed	(136)	(126)
Incurred but not reported	(109)	(197)
Total impairment charge	**296**	**542**

Impairment provision by nature of impairment provision	**31 December 2015 €m**	31 December 2014 €m
Specific provisions individually assessed	4,647	5,838
Specific provisions collectively assessed	628	878
Incurred but not reported	611	707
Total impairment provision	**5,886**	**7,423**

Individual and collective specific provisions at 31 December 2015 are after provisions utilised in the year of €2.1 billion as set out in note 28 on page 229.

The decrease in individual specific provisions in 2015 reflects the impact of provisions utilised during the year, partially offset by new, and increases to existing, specific provisions attaching to individually assessed Residential mortgage, Non-property SME and corporate and Property and construction exposures.

The decrease in collective specific provisions in the year reflects the impact of provisions utilised activity in collectively assessed portfolios, the update of collective provisioning models (reflecting improved book performance and economic conditions) and, to a lesser extent, an increase in the volume of Irish mortgage loans subject to individual, rather than collective, assessment for provisioning.

Incurred but not reported (IBNR) impairment provisions decreased by €96 million to €611 million at 31 December 2015. The reduction in IBNR impairment provisions is primarily related to Retail Ireland Residential mortgages, taking account of improved book performance and economic conditions during the year.

3.1 Credit risk (continued)

Asset Quality - Loans and advances to customers

(audited except where denoted unaudited)

The Group classifies forborne and non-forborne loans and advances to customers as 'neither past due nor impaired', 'past due but not impaired' and 'impaired' in line with the requirements of IFRS 7.

Forbearance occurs when a borrower is granted a temporary or permanent concession or agreed change to a loan (forbearance measure), for reasons relating to the actual or apparent financial stress or distress of that borrower. A loan which has an active forbearance measure is a 'forborne loan'. Loans which do not have an active forbearance measure are 'non-forborne loans'.

The Group applies internal ratings to both forborne and non-forborne loans based on an assessment of the credit quality of the customer, as part of its credit risk management system. A thirteen point credit grade rating scale is used for more complex, individually managed loans, including wholesale, corporate and business lending. A seven point credit grade rating scale is used for standard products (including mortgages, personal and small business loans). Both credit scales have a defined relationship with the Group's Probability of Default (PD) scale.

'Neither past due nor impaired' ratings are summarised as set out below:
Mappings to external rating agencies are indicative only, as additional factors such as collateral will be taken into account by the Group in assigning a credit grade to a counterparty:

- high quality ratings apply to loans to customers, strong corporate and business counterparties and consumer banking borrowers (including Residential mortgages) with whom the Group has an excellent repayment experience. For both forborne and non-forborne loans, high quality ratings are derived from grades 1 to 4 on the thirteen point grade scale, grades 1 and 2 on the seven point grade scale and ratings equivalent to AAA, AA+, AA, AA-, A+, A, A-, BBB+ and BBB for the external major rating agencies;
- satisfactory quality ratings apply to good quality loans that are performing as expected, including loans to small and medium sized enterprises, leveraged entities and more recently established businesses. Satisfactory quality ratings also include some element of the Group's retail portfolios. For both forborne and non-forborne loans, satisfactory quality ratings are derived from grades 5 to 7 on the thirteen point grade scale, grade 3 on the seven point grade scale and external ratings equivalent to BBB-, BB+, BB and BB-. In addition, satisfactory quality ratings can also apply to certain temporary and permanent mortgage forbearance arrangements that are neither past due nor impaired;
- Acceptable quality ratings apply to loans to customers with increased risk profiles that are subject to closer monitoring and scrutiny by lenders with the objective of managing risk and moving accounts to an improved rating category. For both forborne and non-forborne loans, Acceptable quality ratings are derived from grades 8 and 9 on the thirteen point grade scale, grade 4 outstandings within the seven point scale and external ratings equivalent to B+. In addition, Acceptable quality ratings apply to 'Self-cure' probationary residential mortgages (as defined below) and to certain temporary mortgage forbearance arrangements that are neither past due nor impaired;
- the lower quality but neither past due nor impaired rating applies to those loans that are neither in arrears nor impaired but where the Group requires a work down or work out of the relationship unless an early reduction in risk is achievable. For both forborne and non-forborne loans, lower quality ratings are derived from outstandings within rating grades 10 and 11 on the thirteen point grade scale, grade 5 on the seven point grade scale and external ratings equivalent to B or below. In addition, the lower quality but neither past due nor impaired ratings apply to 'Forborne' probationary residential mortgages (as defined below) and to certain temporary mortgage forbearance arrangements that are neither past due nor impaired.

'Past due but not impaired' loans, whether forborne or not, are defined as follows:

- loans where repayment of interest and / or principal are overdue by at least one day but which are not impaired.

'Impaired' loans are defined as follows:

- loans with a specific impairment provision attaching to them together with loans (excluding Residential mortgages) which are greater than 90 days in arrears. For Residential mortgages, forborne loans with a specific provision attaching to them are reported as both forborne and impaired. Forborne loans (excluding Residential mortgages) with a specific provision attaching to them are reported as impaired and are not reported as forborne.

'Defaulted' loans are defined as follows:

- impaired loans together with Residential mortgages which are greater than 90 days in arrears. Defaulted loans are derived from grades 11 and 12 on the thirteen point grade scale and grades 5 and 6 on the seven point grade scale.

'Probationary' residential mortgages comprise both 'Self-cure' and 'Forborne' probationary residential mortgages defined as follows:

- 'Self-cure' probationary residential mortgages are non-forborne mortgages which were previously defaulted, did not require forbearance to exit defaulted status, and are now,

3.1 Credit risk (continued)

Asset Quality - Loans and advances to customers (continued)

or will be, subject to the successful completion of a 12 month probation period prior to returning to performing status.

- 'Forborne' probationary residential mortgages are mortgages which were previously defaulted, required forbearance to exit defaulted status, and are now, or will be, subject to the successful completion of a 12 month probation period prior to returning to performing status. 'Forborne' probationary also includes mortgages which were previously defaulted, are in a 'full interest' forbearance arrangement and, despite having successfully completed a 12 month probation period, will not be returned to performing status.

'Non-performing' loans (NPL's) are defined as:

- defaulted loans together with probationary residential mortgages.

'Performing' loans comprise loans that are 'neither past due nor impaired' and loans that are up to and including 90 days past due, excluding any 'probationary' residential mortgages.

Composition of loans and advances to customers

The tables and analysis below summarise the composition of the Group's loans and advances to customers and includes loans classified as held for sale. Exposures are before provisions for impairment.

Loans and advances to customers including held for sale composition (before impairment provisions)	31 December 2015 €m	31 December 2015 %	31 December 2014 €m	31 December 2014 %
Residential mortgages	52,905	59%	50,983	57%
- Retail Ireland	*24,991*	*28%*	*25,588*	*29%*
- Retail UK	*27,914*	*31%*	*25,395*	*28%*
Non-property SME and corporate	20,994	23%	20,384	23%
- Republic of Ireland SME	*9,285*	*10%*	*9,628*	*11%*
- UK SME	*2,386*	*3%*	*2,498*	*3%*
- Corporate	*9,323*	*10%*	*8,258*	*9%*
Property and construction	13,357	15%	15,219	17%
- Investment	*11,388*	*13%*	*12,522*	*14%*
- Land and development	*1,969*	*2%*	*2,697*	*3%*
Consumer	3,339	3%	2,954	3%
Total loans and advances to customers	**90,595**	**100%**	**89,540**	**100%**

Unaudited:

The Group's loans and advances to customers before impairment provisions at 31 December 2015 were €90.6 billion compared to €89.5 billion at 31 December 2014, an increase of €1.1 billion. On a constant currency basis, loans and advances to customers (before impairment provisions) decreased by €1.5 billion or 2%. New lending and portfolio acquisitions during the year were offset by redemptions and repayments, which included a reduction of €3.8 billion in the Group's Non-performing loans.

The distribution of the Group's loans and advances to customers by loan portfolio was broadly similar at 31 December 2015 and at 31 December 2014, with a slightly higher proportion of the Group's loan book in UK mortgages and a slightly lower proportion in Property and construction at 31 December 2015.

3.1 Credit risk (continued)

Asset Quality - Loans and advances to customers (continued)

For an analysis of the Group's Risk profile of loans and advances to customers including held for sale (before impairment provisions) between 'non-forborne' and 'forborne' see table 1 on pages 406 and 407 in the supplementary asset quality and forbearance disclosures.

Risk profile of loans and advances to customers

The tables and analysis below summarise the Group's loans and advances to customers over the following categories: 'neither past due nor impaired', 'past due but not impaired' and 'impaired'. Exposures are before provisions for impairment.

31 December 2015 **Risk profile of loans and advances to customers including held for sale (before impairment provisions)**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total loans and advances to customers €m**	**Total loans and advances to customers %**
Total loans and advances to customers						
High quality	45,548	5,508	2,702	2,895	56,653	63%
Satisfactory quality	1,324	9,431	2,163	205	13,123	14%
Acceptable quality	1,289	1,981	1,593	30	4,893	5%
Lower quality but neither past due nor impaired	549	1,240	1,608	-	3,397	4%
Neither past due nor impaired	**48,710**	**18,160**	**8,066**	**3,130**	**78,066**	**86%**
Past due but not impaired	1,994	105	374	73	2,546	3%
Impaired	2,201	2,729	4,917	136	9,983	11%
Total loans and advances to customers	**52,905**	**20,994**	**13,357**	**3,339**	**90,595**	**100%**

31 December 2014 Risk profile of loans and advances to customers (before impairment provisions)	Residential mortgages[1] €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total loans and advances to customers €m	Total loans and advances to customers %
Total loans and advances to customers						
High quality	42,961	4,299	1,777	2,429	51,466	57%
Satisfactory quality	994	8,879	2,195	210	12,278	14%
Acceptable quality	1,193	2,298	2,072	31	5,594	6%
Lower quality but neither past due nor impaired	467	1,398	1,765	-	3,630	4%
Neither past due nor impaired	45,615	16,874	7,809	2,670	72,968	81%
Past due but not impaired	2,584	159	336	95	3,174	4%
Impaired	2,784	3,351	7,074	189	13,398	15%
Total loans and advances to customers	50,983	20,384	15,219	2,954	89,540	100%

[1] *In line with the revised asset quality definitions set out on pages 83 and 84, certain comparative figures have been restated.*

3.1 Credit risk (continued)

Asset Quality - Loans and advances to customers (continued)

Unaudited:

Loans and advances to customers classified as **'neither past due nor impaired'** amounted to €78.1 billion at 31 December 2015 compared to €73.0 billion at 31 December 2014.

The **'past due but not impaired'** category amounted to €2.5 billion at 31 December 2015, a reduction of €0.7 billion compared to €3.2 billion at 31 December 2014.

'Impaired' loans decreased to €10.0 billion at 31 December 2015 from €13.4 billion at 31 December 2014. This reduction in impaired loans reflects the Group's ongoing progress with resolution strategies that include appropriate and sustainable support to viable customers in financial difficulty, including realisation of cash proceeds from both portfolio and individual property asset sales activity. This resolution activity has been aided by the continued recovery in both economic and property market conditions and, where appropriate, has given rise to the utilisation of provisions.

For an analysis of the Group's risk profile of loans and advances to customers (before impairment provisions) between 'non-forborne' and 'forborne' see pages 406 and 407 in the supplementary asset quality and forbearance disclosures.

'Past due and / or impaired'

The tables below provide an aged analysis of loans and advances to customers 'past due and / or impaired' by asset classification. Amounts arising from operational and / or timing issues that are outside the control of customers are generally excluded.

31 December 2015 **Risk profile of loans and advances to customers including held for sale - past due and / or impaired**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Total loans and advances to customers					
Past due up to 30 days	585	74	51	41	751
Past due 31 - 60 days	631	24	181	23	859
Past due 61 - 90 days	217	7	142	9	375
Past due greater than 90 days but not impaired	561	-	-	-	561
Past due but not impaired	**1,994**	**105**	**374**	**73**	**2,546**
Impaired	2,201	2,729	4,917	136	9,983
Total loans and advances to customers - past due and / or impaired	**4,195**	**2,834**	**5,291**	**209**	**12,529**

31 December 2014 Risk profile of loans and advances to customers - past due and / or impaired	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Total loans and advances to customers					
Past due up to 30 days	643	93	61	55	852
Past due 31 - 60 days	728	37	242	28	1,035
Past due 61 - 90 days	271	29	33	12	345
Past due greater than 90 days but not impaired	942	-	-	-	942
Past due but not impaired	2,584	159	336	95	3,174
Impaired	2,784	3,351	7,074	189	13,398
Total loans and advances to customers - past due and / or impaired	5,368	3,510	7,410	284	16,572

3.1 Credit risk (continued)

Asset Quality - Loans and advances to customers (continued)

Unaudited:

Loans and advances to customers classified as 'past due and / or impaired' amounted to €12.5 billion at 31 December 2015 compared to €16.6 billion at 31 December 2014. The significant reduction in 'past due and / or impaired' loans in the year reflects improvements in default arrears and the Group's ongoing progress with restructure and resolution activities.

For an analysis of the Group's risk profile of loans and advances to customers - past due and / or impaired between 'non-forborne' and 'forborne' see pages 408 and 409 in the supplementary asset quality and forbearance disclosures.

Non-performing loans

The tables below provide an analysis of Non-performing loans and advances to customers by asset classification.

31 December 2015 **Risk profile of loans and advances to customers including held for sale - Non-performing loans**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Total loans and advances to customers					
Probationary mortgages	1,429				
- Self-cure	*789*				
- Forborne	*640*				
Defaulted loans	2,762	2,729	4,917	136	10,544
- Past due greater than 90 days but not impaired	*561*	*-*	*-*	*-*	*561*
- Impaired	*2,201*	*2,729*	*4,917*	*136*	*9,983*
Total loans and advances to customers - Non-performing	**4,191**	**2,729**	**4,917**	**136**	**11,973**

31 December 2014 Risk profile of loans and advances to customers - Non-performing loans	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Total loans and advances to customers					
Probationary mortgages	1,468				
- Self-cure	*897*				
- Forborne	*571*				
Defaulted loans	3,726	3,351	7,074	189	14,340
- Past due greater than 90 days but not impaired	*942*	*-*	*-*	*-*	*942*
- Impaired	*2,784*	*3,351*	*7,074*	*189*	*13,398*
Total loans and advances to customers - Non-performing	5,194	3,351	7,074	189	15,808

3.1 Credit risk (continued)

Asset Quality - Loans and advances to customers (continued)

Composition and impairment

The table below summarises the composition, Non-performing loans and impairment provisions of the Group's loans and advances to customers.

31 December 2015 **Total loans and advances to customers including held for sale Composition and impairment**	**Advances (pre-impairment) €m**	**Non-performing loans[1] €m**	**Non-performing loans as % of advances %**	**Impairment provisions €m**	**Impairment provisions as % of Non-performing loans %**
Residential mortgages	52,905	4,191	7.9%	1,297	31%
- Retail Ireland	*24,991*	*3,049*	*12.2%*	*1,199*	*39%*
- Retail UK	*27,914*	*1,142*	*4.1%*	*98*	*9%*
Non-property SME and corporate	20,994	2,729	13.0%	1,445	53%
- Republic of Ireland SME	*9,285*	*2,038*	*21.9%*	*1,059*	*52%*
- UK SME	*2,386*	*264*	*11.1%*	*135*	*51%*
- Corporate	*9,323*	*427*	*4.6%*	*251*	*59%*
Property and construction	13,357	4,917	36.8%	3,001	61%
- Investment	*11,388*	*3,248*	*28.5%*	*1,737*	*53%*
- Land and development	*1,969*	*1,669*	*84.8%*	*1,264*	*76%*
Consumer	3,339	136	4.1%	143	105%
Total loans and advances to customers	**90,595**	**11,973**	**13.2%**	**5,886**	**49%**

31 December 2014 Total loans and advances to customers Composition and impairment	Advances (pre-impairment) €m	Non-performing loans[1] €m	Non-performing loans as % of advances %	Impairment provisions €m	Impairment provisions as % of Non-performing loans %
Residential mortgages	50,983	5,194	10.2%	1,604	31%
- Retail Ireland	*25,588*	*3,913*	*15.3%*	*1,487*	*38%*
- Retail UK	*25,395*	*1,281*	*5.0%*	*117*	*9%*
Non-property SME and corporate	20,384	3,351	16.4%	1,699	51%
- Republic of Ireland SME	*9,628*	*2,468*	*25.6%*	*1,264*	*51%*
- UK SME	*2,498*	*421*	*16.9%*	*186*	*44%*
- Corporate	*8,258*	*462*	*5.6%*	*249*	*54%*
Property and construction	15,219	7,074	46.5%	3,935	56%
- Investment	*12,522*	*4,660*	*37.2%*	*2,138*	*46%*
- Land and development	*2,697*	*2,414*	*89.5%*	*1,797*	*74%*
Consumer	2,954	189	6.4%	185	98%
Total loans and advances to customers	89,540	15,808	17.7%	7,423	47%

[1] *'Non-performing' loans includes probationary residential mortgages of €1,429 million (31 December 2014: €1,468 million) across Retail Ireland €727 million (31 December 2014: €694 million) and Retail UK €702 million (31 December 2014: €774 million). Retail Ireland probationary residential mortgages comprise €171 million 'Self-cure' and €556 million 'Forborne' probationary mortgages (31 December 2014: €204 million and €490 million respectively). Retail UK probationary residential mortgages comprise €618 million 'Self-cure' and €84 million 'Forborne' probationary mortgages (31 December 2014: €693 million and €81 million respectively).*

3.1 Credit risk (continued)

Asset Quality - Loans and advances to customers (continued)

Unaudited:

Loans and advances to customers (pre-impairment) increased by €1.1 billion or 1% from €89.5 billion at 31 December 2014 to €90.6 billion at 31 December 2015. On a constant currency basis, loans and advances to customers (before impairment provisions) decreased by €1.5 billion or 2%. New lending and portfolio acquisitions during the year were offset by redemptions and repayments, which included a reduction of €3.8 billion in the Group's Non-performing loans.

Non-performing loans decreased to €12.0 billion at 31 December 2015 from €15.8 billion at 31 December 2014, with reductions evident across all of the Group's portfolios. Non-performing loans comprise defaulted loans of €10.6 billion, compared to €14.3 billion at 31 December 2014, and probationary mortgages of €1.4 billion, compared to €1.5 billion at 31 December 2014.

The €1.4 billion of probationary residential mortgages at 31 December 2015 includes a significant proportion of 'self-cure' probationary mortgages (€0.8 billion).

The significant reduction in Non-performing loans, and consequently defaulted loans, in 2015 reflects the Group's ongoing progress with resolution strategies that include appropriate and sustainable support to viable customers in financial difficulty, including realisation of cash proceeds from both portfolio and individual property asset sales activity. This resolution activity has been aided by the continued recovery in both economic and property market conditions and, where appropriate, has given rise to the consequent utilisation of provisions.

The stock of **impairment provisions** decreased from €7.4 billion at 31 December 2014 to €5.9 billion at 31 December 2015, however impairment provisions as a percentage of Non-performing loans increased from 47% at 31 December 2014 to 49% at 31 December 2015. Impairment provisions of €5.9 billion at 31 December 2015 are after provisions utilised in the year of €2.1 billion as set out in note 28 on page 229.

The Group's Non-performing loans **provision coverage ratio** increased from 47% at 31 December 2014 to 49% at 31 December 2015 reflecting a combination of: the significant reduction in defaulted loans; impairment charges recognised during the year; and provision utilised activity. Coverage ratios have increased across all of the Group's key portfolios in 2015; with the exception of Retail UK mortgages where coverage levels remain unchanged in the year. The Retail UK mortgage Non-performing loans provision coverage ratio reflects relatively low levels of default arrears, strong house price growth (with the majority of the portfolio in positive equity) and low volumes of forbearance (and consequently high levels of 'Self-cure' activity).

3.1 Credit risk (continued)

Asset Quality - Loans and advances to customers (continued)

The tables below summarise the composition, defaulted loans and total impairment provisions of the Group's loans and advances to customers.

31 December 2015 **Total loans and advances to customers including held for sale Composition and impairment**	**Advances (pre-impairment) €m**	**Defaulted loans €m**	**Defaulted loans as % of advances %**	**Impairment provisions €m**	**Impairment provisions as % of defaulted loans %**
Residential mortgages	52,905	2,762	5.2%	1,297	47%
- Retail Ireland	*24,991*	*2,322*	*9.3%*	*1,199*	*52%*
- Retail UK	*27,914*	*440*	*1.6%*	*98*	*22%*
Non-property SME and corporate	20,994	2,729	13.0%	1,445	53%
- Republic of Ireland SME	*9,285*	*2,038*	*21.9%*	*1,059*	*52%*
- UK SME	*2,386*	*264*	*11.1%*	*135*	*51%*
- Corporate	*9,323*	*427*	*4.6%*	*251*	*59%*
Property and construction	13,357	4,917	36.8%	3,001	61%
- Investment	*11,388*	*3,248*	*28.5%*	*1,737*	*53%*
- Land and development	*1,969*	*1,669*	*84.8%*	*1,264*	*76%*
Consumer	3,339	136	4.1%	143	105%
Total loans and advances to customers	**90,595**	**10,544**	**11.6%**	**5,886**	**56%**

31 December 2014 Total loans and advances to customers Composition and impairment	Advances (pre-impairment) €m	Defaulted loans €m	Defaulted loans as % of advances %	Impairment provisions €m	Impairment provisions as % of defaulted loans %
Residential mortgages	50,983	3,726	7.3%	1,604	43%
- Retail Ireland	*25,588*	*3,219*	*12.6%*	*1,487*	*46%*
- Retail UK	*25,395*	*507*	*2.0%*	*117*	*23%*
Non-property SME and corporate	20,384	3,351	16.4%	1,699	51%
- Republic of Ireland SME	*9,628*	*2,468*	*25.6%*	*1,264*	*51%*
- UK SME	*2,498*	*421*	*16.9%*	*186*	*44%*
- Corporate	*8,258*	*462*	*5.6%*	*249*	*54%*
Property and construction	15,219	7,074	46.5%	3,935	56%
- Investment	*12,522*	*4,660*	*37.2%*	*2,138*	*46%*
- Land and development	*2,697*	*2,414*	*89.5%*	*1,797*	*74%*
Consumer	2,954	189	6.4%	185	98%
Total loans and advances to customers	89,540	14,340	16.0%	7,423	52%

The movements in defaulted loans in the year are consistent with the movements in Non-performing loans as set out on page 88. The Group's defaulted loans provision coverage ratio increased from 52% at 31 December 2014 to 56% at 31 December 2015, with defaulted loans provision coverage ratios increasing across the Group's key portfolios in 2015.

3.1 Credit risk (continued)

Asset Quality - Segmental analysis
(audited)

31 December 2015

Risk profile of loans and advances to customers including held for sale (before impairment provisions)	**Retail Ireland €m**	**Retail UK €m**	**Corporate and Treasury €m**	**Total Group €m**
High quality	22,334	28,937	5,382	56,653
Satisfactory quality	6,116	1,610	5,397	13,123
Acceptable quality	2,608	1,051	1,234	4,893
Lower quality but neither past due nor impaired	1,655	1,327	415	3,397
Neither past due nor impaired	**32,713**	**32,925**	**12,428**	**78,066**
Past due but not impaired	1,038	1,427	81	2,546
Impaired	7,105	2,405	473	9,983
Total loans and advances to customers	**40,856**	**36,757**	**12,982**	**90,595**

31 December 2014

Risk profile of loans and advances to customers (before impairment provisions)	Retail Ireland[1] €m	Retail UK[1] €m	Corporate and Treasury €m	Total Group €m
High quality	21,958	25,764	3,744	51,466
Satisfactory quality	5,556	1,871	4,851	12,278
Acceptable quality	2,792	1,118	1,684	5,594
Lower quality but neither past due nor impaired	1,654	1,369	607	3,630
Neither past due nor impaired	31,960	30,122	10,886	72,968
Past due but not impaired	1,540	1,620	14	3,174
Impaired	9,149	3,547	702	13,398
Total loans and advances to customers	42,649	35,289	11,602	89,540

[1] *In line with the revised asset quality definitions set out on pages 83 and 84, certain comparative figures have been restated.*

3.1 Credit risk (continued)

Asset Quality - Segmental analysis (continued)

The table below provides an aged analysis of loans and advances to customers 'past due and / or impaired' by division:

31 December 2015

Loans and advances to customers including held for sale - past due and / or impaired (before impairment provisions)	**Retail Ireland €m**	**Retail UK €m**	**Corporate and Treasury €m**	**Total Group €m**
Past due up to 30 days	430	321	-	751
Past due 31 - 60 days	166	612	81	859
Past due 61 - 90 days	81	294	-	375
Past due greater than 90 days but not impaired	361	200	-	561
Past due but not impaired	**1,038**	**1,427**	**81**	**2,546**
Impaired	7,105	2,405	473	9,983
Total loans and advances to customers - past due and / or impaired	**8,143**	**3,832**	**554**	**12,529**

31 December 2014

Loans and advances to customers - past due and / or impaired (before impairment provisions)	Retail Ireland €m	Retail UK €m	Corporate and Treasury €m	Total Group €m
Past due up to 30 days	514	328	10	852
Past due 31 - 60 days	205	829	1	1,035
Past due 61 - 90 days	144	198	3	345
Past due greater than 90 days but not impaired	677	265	-	942
Past due but not impaired	1,540	1,620	14	3,174
Impaired	9,149	3,547	702	13,398
Total loans and advances to customers - past due and / or impaired	10,689	5,167	716	16,572

The table below provides an analysis of Non-performing loans and advances to customers by division:

31 December 2015

Loans and advances to customers including held for sale - Non-performing (before impairment provisions)	**Retail Ireland €m**	**Retail UK €m**	**Corporate and Treasury €m**	**Total Group €m**
Total loans and advances to customers				
Probationary mortgages	727	702	-	1,429
- Self-cure	*171*	*618*	-	*789*
- Forborne	*556*	*84*	-	*640*
Defaulted loans	7,466	2,605	473	10,544
- Past due greater than 90 days but not impaired	*361*	*200*	-	*561*
- Impaired	*7,105*	*2,405*	*473*	*9,983*
Total loans and advances to customers - Non-performing	**8,193**	**3,307**	**473**	**11,973**

3.1 Credit risk (continued)

Asset Quality - Segmental analysis (continued)

31 December 2014

Loans and advances to customers - Non-performing (before impairment provisions)	Retail Ireland €m	Retail UK €m	Corporate and Treasury €m	Total Group €m
Total loans and advances to customers				
Probationary mortgages	694	774	-	1,468
- Self-cure	*204*	*693*	-	*897*
- Forborne	*490*	*81*	-	*571*
Defaulted loans	9,826	3,812	702	14,340
- Past due greater than 90 days but not impaired	*677*	*265*	-	*942*
- Impaired	*9,149*	*3,547*	*702*	*13,398*
Total loans and advances to customers - Non-performing	10,520	4,586	702	15,808

Repossessed collateral

At 31 December 2015, the Group had collateral held as security, as follows:

Repossessed collateral	**31 December 2015 €m**	31 December 2014 €m
Residential properties:		
Ireland	22	20
UK and other	16	38
	38	**58**
Other	1	3
Total	**39**	**61**

Repossessed collateral is sold as soon as practicable, with the proceeds applied against outstanding indebtedness.

3.1 Credit risk (continued)

Asset Quality - Other financial instruments

(audited except where denoted unaudited)

Asset quality: Other financial instruments

Other financial instruments include trading securities, derivative financial instruments, other financial instruments at fair value through profit or loss (excluding equity instruments), loans and advances to banks, held to maturity financial assets, available for sale financial assets (excluding equity instruments), NAMA senior bonds, interest receivable and any reinsurance assets. The table below sets out the Group's exposure to Other financial instruments based on the gross amount before provisions for impairment.

Other financial instruments are rated using external ratings attributed to external agencies or are assigned an internal rating based on the Group's internal models, or a combination of both. Mappings to external ratings agencies in the table below are therefore indicative only.

Asset quality:	**31 December 2015**		31 December 2014	
Other financial instruments with ratings equivalent to:	**€m**	**%**	€m	%
AAA to AA-	12,084	44%	9,817	33%
A+ to A-	12,281	45%	17,781	59%
BBB+ to BBB-	1,743	7%	1,549	5%
BB+ to BB-	561	2%	509	1%
B+ to B-	288	1%	168	1%
Lower than B-	279	1%	246	1%
Total	**27,236**	**100%**	**30,070**	**100%**

Unaudited:

Other financial instruments at 31 December 2015 amounted to €27.2 billion, a decrease of €2.9 billion as compared with €30.1 billion at 31 December 2014. The decrease primarily reflects the redemption of NAMA senior bonds and reductions in the holdings of sovereign and other bonds.

3.1 Credit risk (continued)

Credit risk methodologies

(audited)

Internal credit rating models
The use of internal credit rating models and scoring tools, which measure the degree of risk inherent in lending to specific counterparties, is central to the credit risk assessment and ongoing management processes within the Group.

The primary model measures used are:

- Probability of Default (PD): the probability of a given counterparty defaulting on any of its borrowings from the Group within the next twelve months;
- Exposure at Default (EAD): the exposure the Group has to a defaulting borrower at the time of default;
- Loss Given Default (LGD): the loss incurred (after the realisation of any collateral) on a specific transaction should the borrower default, expressed as a percentage of EAD; and
- Maturity: the contractual or estimated time period until an exposure is fully repaid or cancelled.

These measures are used to calculate expected loss and are fully embedded in, and form an essential component of, the Group's operational and strategic credit risk management and credit pricing practices.

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

The credit risk rating systems employed within the Group use statistical analysis combined, where appropriate, with external data and the judgement of professional lenders.

An independent unit annually validates internal credit risk models from a performance and compliance perspective. This unit provides reports to the Risk Measurement Committee (RMC).

Risk modelling is also applied at a portfolio level in the Group's credit businesses to guide economic capital allocation and strategic portfolio management.

The measures to calculate credit risk referred to above are used to calculate expected loss on a regulatory basis. A different basis is used to derive the amount of incurred credit losses for financial reporting purposes. For financial reporting purposes, impairment allowances are recognised only with respect to losses that have been incurred at the balance sheet date based on objective evidence of impairment.

Regulatory approval of approaches
The Group has regulatory approval to use its internal credit models in the calculation of its capital requirements. As at 31 December 2015, 81% of credit risk weighted assets (excluding non-credit obligations) were calculated using internal credit models. This approval covers the adoption of the Foundation IRB approach for non-retail exposures and the Retail IRB approach for retail exposures.

The structure of internal rating systems
The Group divides its internal rating systems into non-retail and retail approaches. Both approaches differentiate PD estimates into eleven grades in addition to the category of default. For both non-retail and retail internal rating systems, default is defined based on the likelihood of non-payment indicators that vary between borrower types. In all cases, exposures 90 days or more past due are considered to be in default.

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

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

Non-Retail internal rating systems
The Group has adopted the Foundation IRB approach for certain of its non-retail exposures. Under this approach, the Group calculates its own estimates for PD and uses supervisory estimates of LGD, typically 45%, and credit conversion factors. To calculate PD, the Group assesses the credit quality of borrowers and other counterparties using criteria particular to the type of borrower under consideration. In the case of financial institutions, external credit agency ratings are used to provide a significant challenge within the Group's ratings approach. For exposures other than financial institutions, external ratings, when available for borrowers, play a role in the independent validation of internal estimates.

Retail internal rating systems
The Group has adopted the Retail IRB approach for the majority of its retail

3.1 Credit risk (continued)

Credit risk methodologies (continued)

exposures. Under this approach, the Group calculates its own estimates for PD, LGD and credit conversion factors. External ratings do not play a role within the Group's retail internal rating systems, however, external credit bureau data does play a significant role in assessing UK retail borrowers. To calculate LGD and credit conversion factors, the Group assesses the nature of the transaction and underlying collateral. Both LGD and credit conversion factors estimates are calibrated to produce estimates of behaviour characteristic of an economic downturn.

Other uses of Internal Estimates

Internal estimates play an essential role in risk management and decision making processes, the credit approval functions, the internal capital allocation function and the corporate governance functions of the Group. The specific uses of internal estimates differ from portfolio to portfolio, and for retail and non-retail approaches, but typically include:

- internal reporting;
- credit management;
- calculation of Risk Adjusted Return on Capital (RAROC);
- credit decisioning / automated credit decisioning;
- borrower credit approval; and
- internal capital allocation between businesses of the Group.

For non-retail exposures, through-the-cycle PD estimates are used to calculate internal economic capital.

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

Control mechanisms for rating systems

The control mechanisms for rating systems are set out in the Group's Credit IRB Model Policy and Standards. Model risk is one of the ten key risk types identified by the Group, the governance of which is outlined in the Group's Model Risk Policy. RMC approves all risk rating models, model developments, model implementations and all associated policies. The Group mitigates model risk as follows:

- model development standards: the Group adopts centralised standards and methodologies over the operation and development of models. The Group has specific policies on documentation, data quality and management, conservatism and validation. This mitigates model risk at model inception;
- model governance: the Group adopts a uniform approach to the governance of all model related activities. This ensures the appropriate involvement of stakeholders, ensuring that responsibilities and accountabilities are clear;
- model performance monitoring: all models are subject to testing on a quarterly basis. The findings are reported to, and appropriate actions, where necessary, approved by RMC; and
- independent validation: all models are subject to in-depth analysis at least annually. This analysis is carried out by a dedicated unit (the Independent Control Unit (ICU)). It is independent of credit origination and management functions.

In addition, Group Internal Audit regularly reviews the risk control framework, including policies and standards, to ensure that these are being adhered to, meet industry good practices and are compliant with regulatory requirements. The ICU function is independently audited on an annual basis.

Where models are found to be inadequate, they are remediated on a timely basis or are replaced.

Methodology for loan loss provisioning

All credit exposures, either individually or collectively, are regularly reviewed for objective evidence of impairment. Where such evidence of impairment exists, the exposure is measured for an impairment provision. The criteria used to determine if there is objective evidence of impairment include:

- delinquency in contractual payments of principal or interest;
- cash flow difficulties;
- breach of loan covenants or conditions;
- granting a concession to a borrower, for economic or legal reasons, relating to the borrower's financial difficulty that would otherwise not be considered;
- deterioration of the borrower's competitive position;
- deterioration in the value of collateral;
- external rating downgrade below an acceptable level; or
- initiation of bankruptcy proceedings.

At 31 December 2015, each of the following portfolio specific events requires the completion of an impairment assessment to determine whether a loss event has occurred at the balance sheet date that may lead to recognition of impairment losses:

Residential mortgages

- loan asset has fallen 90 days past due;
- a forbearance measure has been requested by a borrower and formally assessed;
- a modification of loan terms resulting in the non-payment of interest, including the refinancing and renegotiation of facilities where there is evidence of a loss event and / or borrower financial distress;
- notification of, or intended application for, bankruptcy proceedings, debt settlement or personal insolvency arrangement or similar; or

3.1 Credit risk (continued)

Credit risk methodologies (continued)

- offer of voluntary sale at possible shortfall or voluntary surrender of property security.

Non-property SME and corporate
- loan asset has fallen 90 days past due;
- a forbearance measure has been requested by a borrower and formally assessed;
- a modification of loan terms resulting in the non-payment of interest, including the refinancing and renegotiation of facilities where there is evidence of a loss event and / or borrower financial distress;
- internal credit risk rating, or external credit rating, has been downgraded below a certain level;
- financial statements or financial assessment indicates inability of the borrower to meet debt service obligations and / or a negative net assets position;
- borrower has ceased trading; or
- initiation of bankruptcy / insolvency proceedings.

Property and construction
- loan asset has fallen 90 days past due;
- a forbearance measure has been requested by a borrower and formally assessed;
- a modification of loan terms resulting in the non-payment of interest, including the refinancing and renegotiation of facilities where there is evidence of a loss event and / or borrower financial distress;
- internal credit risk rating, or external credit rating, has been downgraded below a certain level;
- financial statements or financial assessment indicates inability of the borrower to meet debt service obligations and / or a negative net assets position;
- initiation of bankruptcy / insolvency proceedings;
- a fall in the assessed current value of security such that the loan to value ratio is greater than or equal to 120%;
- a fall in net rent such that it is inadequate to cover interest with little / no other income to support debt service capacity (Investment property exposures only); or
- a fall in the assessed gross development value such that sale proceeds are no longer expected to fully repay debt (development exposures only).

Consumer
- loan asset has fallen 90 days past due;
- a forbearance measure has been requested by a borrower and formally assessed; or
- a modification of loan terms resulting in the non-payment of interest, including the refinancing and renegotiation of facilities where there is evidence of a loss event and / or borrower financial distress.

Where objective evidence of impairment exists, as a result of one or more past events, the Group is required to estimate the recoverable amount of the exposure or group of exposures.

For financial reporting purposes, loans on the balance sheet that become impaired are written down to their estimated recoverable amount. The amount of this write down is taken as an impairment charge in the income statement.

Loans with a specific impairment provision attaching to them together with loans (excluding Residential mortgages) which are greater than 90 days in arrears are included as impaired loans.

The Group's impairment provisioning methodologies are compliant with IFRS. International Accounting Standard (IAS) 39 requires objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or 'events') has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Methodology for individually assessing impairment
An individual impairment assessment is performed for any exposure for which there is objective evidence of impairment and where the exposure is above an agreed threshold. For Residential mortgage, Non-property SME and corporate, and Property and construction exposures, a de-minimis total customer exposure level of €1 million applies for the mandatory completion of a discounted cash flow analysis for the assessment of impairment. The carrying amount of the exposure net of the estimated recoverable amount (and thus the specific provision required) is calculated using a discounted cash flow analysis. This calculates the estimated recoverable amount as the present value of the estimated future cash flows, discounted at the exposure's original effective interest rate (or the current effective interest rate for variable rate exposures). The estimated future cash flows include forecasted principal and interest payments (not necessarily contractual amounts due) including cash flows, if any, from the realisation of collateral / security held, less realisation costs.

A significant element of the Group's credit exposures are assessed for impairment on an individual basis. An analysis of the Group's impairment provisions and impairment charge by nature of impairment provision is set out in the tables on page 82.

3.1 Credit risk (continued)

Credit risk methodologies (continued)

Methodology for collectively assessing impairment
Where exposures fall below the threshold for individual assessment of impairment by way of discounted cash flow analysis, such exposures are subject to individual lender assessment to assess for impairment (which may involve the completion of a discounted cash flow analysis to quantify the specific provision amount), or are automatically included for collective impairment provisioning. For collective impairment provisioning, exposures with similar credit risk characteristics (e.g. portfolio of consumer personal loans) are pooled together and a provision is calculated by estimating the future cash flows of a group of exposures. In pooling exposures based on similar credit risk characteristics, consideration is given to features including: asset type; industry; past due status; collateral type; and forbearance classification. The provision estimation considers the expected contractual cash flows of the exposures in a portfolio and the historical loss experience for exposures with credit risk characteristics similar to those in the portfolio being assessed. Assumptions and parameters used in the collective provisioning models, which are based on historical experience (i.e. amount and timing of cash flows / Loss Given Default), are regularly compared against current experience in the loan book and current market conditions.

For example, Retail Ireland Residential mortgage customer exposures less than €1 million are provisioned for impairment on a collective basis. These mortgage exposures are pooled based on similar credit risk characteristics such as: asset type, geographical location, origination channel, and forbearance classification. The Retail Ireland Residential mortgage collective specific provisioning model parameters and assumptions have been updated in the current year, informed by the Group's recent observed experience (including updated residential property sales data).

Some of the key parameters used in the Retail Ireland Residential mortgage collective specific provisioning model include assumptions in relation to: residential property valuation (31 December 2015: 10% discount to indexed value[1] for both Dublin and Non-Dublin properties); forced sale discount (31 December 2015: 10% to 42%); workout costs (31 December 2015: 6%); weighted average cure rate (31 December 2015: 13.76% over two and a half years, with cure assumptions segmented by: forbearance classification, LTV and type of residential property (for relevant cohorts)), weighted average repayment rate (31 December 2015: 4.64% over two and a half years) and time to sale (31 December 2015: two and a half years from the reporting date).

The provisioning model assumptions and parameters use historical loan loss experience adjusted where appropriate for current conditions and current observable data. Cure assumptions reflect the definition of cure per the CBI 'Impairment Provisioning and Disclosure Guidelines' (May 2013) which requires satisfactory completion of a twelve month probation period, while being less than 30 days past due. All provisioning model assumptions and parameters are reviewed on a half-yearly basis and updated, as appropriate, based on recent observed experience.

The Group's critical accounting estimates and judgements which are set out in note 2 to the Consolidated financial statements, include sensitivity analysis disclosure on some of the key judgmental areas, including Residential mortgages, in the estimation of impairment charges.

Where there is objective evidence of impairment on a collective basis, this is reported as a specific provision ('collective specific') in line with individually assessed loans. An analysis of the Group's impairment provisions and impairment charge by nature of impairment provision is set out in the tables on page 82.

Methodology for establishing incurred but not reported (IBNR) provisions
Impairment provisions are also recognised for losses not specifically identified but which, experience and observable data indicate, are present in the portfolio / group of exposures at the date of assessment. These are described as incurred but not reported provisions. Statistical models are used to determine the appropriate level of IBNR provisions for a portfolio / group of exposures with similar credit risk characteristics (e.g. asset type, geographical location, forbearance classification etc.). These models estimate latent losses taking into account three observed and / or estimated parameters / assumptions:

- loss emergence rates (based on historic grade migration experience and current PD grades, offset by cure expectations where appropriate);
- the emergence period (historic experience adjusted to reflect current conditions); and
- LGD rates (loss and recovery rates using historical loan loss experience, adjusted where appropriate to reflect current observable data).

Account performance is reviewed periodically to confirm that the credit grade or PD assigned remains appropriate and to determine if impairment has arisen. For consumer and smaller ticket commercial exposures, the review is

[1] *Indexed value with reference to end September 2015 CSO residential property price index for 'Dublin – all residential properties' and 'National excluding Dublin – all residential properties' (hereafter 'Non-Dublin'). At that date, the Dublin index was 35.6% lower than its peak and the non-Dublin index was 37.7% lower than its peak. The end September CSO index was published on 28 October 2015 and was used in the updating of the Retail Ireland mortgage collective impairment provisioning parameters and assumptions, which were approved internally in December 2015.*

3.1 Credit risk (continued)

Credit risk methodologies (continued)

largely based on account behaviour and is highly automated. Where there are loan arrears, excesses, dormancy, etc. the account is downgraded to reflect the higher underlying risk.

A significant element of the Group's IBNR provisions relate to the Retail Ireland Residential mortgage portfolio. A key assumption used in the calculation of the IBNR impairment provisions for defaulted (but not impaired) Retail Ireland Residential mortgages is the value of underlying residential properties securing the loans. The IBNR provisioning model parameters and assumptions have been reviewed during the year informed by the Group's most recent observed experience (including updated residential property sales data). The resulting updates, particularly in relation to the residential property value assumptions, the forced sale discounts and work-out costs used in the IBNR provisioning model, are the same as those outlined above in respect of the Retail Ireland Residential mortgage collective specific provisioning methodology. The default (but not impaired) IBNR model cure assumptions are segmented by: forbearance classification; market segment; and LTV (for relevant cohorts), and have been updated for recent observed experience. At 31 December 2015 the cure assumptions reflect a weighted average cure rate of 32.87% over a two and a half year period. At 31 December 2015 the weighted average repayment rate applied in the default (but not impaired) IBNR model is 8.33% over two and a half years.

For larger commercial loans the relationship manager reassesses the risk at least annually (more frequently if circumstances or grade require) and reaffirms or amends the grade (credit and PD grade) in light of new information or changes (e.g. up to date financials or changed market outlook). Adjusted PD grades are analysed and included in the loss model.

Emergence period refers to the period of time between the occurrence and reporting of a loss event. Emergence periods are reflective of the characteristics of the particular portfolio. For example, at 31 December 2015, emergence periods are in the following ranges: forborne 7 to 14 months, non-forborne 8 to 9 months for Retail Ireland Residential mortgages and 3 to 4 months for both forborne and non-forborne larger SME / Corporate and Property loans. Emergence periods are estimated based on historic loan loss experience supported by back testing and, as appropriate, individual case sampling. Emergence periods are reviewed and back tested half-yearly and updated as appropriate.

The LGD is calculated using historical loan loss experience and is adjusted where appropriate to apply management's credit expertise to reflect current observable data (including an assessment of any changes in the property sector, discounted collateral values and repayment prospects, etc.).

While loss emergence rates have been assessed in light of the Group's recent grade migration experience and current PD grades, back testing of emergence periods and LGD factors against current experience in the loan book has not resulted in any material changes in these factors compared to 31 December 2014. All IBNR provisioning model assumptions and parameters are reviewed on a half-yearly basis and updated, as appropriate, based on recent observed experience. Increasing the emergence period or LGD factors in the IBNR model would give rise to an increase in the level of IBNR provisions for a portfolio.

The Group's critical accounting estimates and judgements, which are set out in note 2 to the Consolidated financial statements, include sensitivity analysis disclosure on some of the key judgemental areas in the estimation of IBNR provisions.

Methodology for loan loss provisioning and forbearance

Forbearance will always be a trigger event for the Group to undertake an assessment of the customer's financial circumstances and ability to repay prior to any decision to grant a forbearance treatment. This assessment may result in a disimprovement in the credit grade assigned to the loan, potentially impacting how frequently the loan must be formally reviewed; and, where impairment is deemed to have occurred, will result in a specific provision.

Individually assessing impairment and forbearance

The methodology for individually assessing impairment, whether an exposure is forborne or not, is as outlined above (i.e. on an individual case-by-case basis). The underlying credit risk rating of the exposure, and ultimately the individual impairment assessment, takes into account the specific credit risk characteristics of the exposure.

Collectively assessing impairment and forbearance

Forborne exposures are pooled together for collective impairment provisioning, including IBNR provision calculations, as detailed above. Assumptions and parameters used to create the portfolio provision(s) take into consideration the historical experience on assets subject to forbearance (e.g. amount and timing of cash flows, cure experience, emergence period etc.), adjusted where appropriate to reflect current conditions, and require the satisfactory completion of a twelve month probation period, while being less than 30 days past due. Management adjustments are also applied, as appropriate, where historical observable data on forborne assets may be limited. Impairment provisioning methodologies and provisioning model parameters and assumptions applied to forborne loan pools are reviewed regularly, and revised as necessary, to ensure that they remain reasonable and appropriate and reflective

3.1 Credit risk (continued)

Credit risk methodologies (continued)

of the credit characteristics of the portfolio being assessed and current conditions. This includes a comparison of actual experience to expected outcome.

Provisioning and forbearance
For Residential mortgages, exposures which are subject to forbearance and have a specific provision are reported as both 'forborne' and 'impaired'. The total provision book cover on the Retail Ireland Residential mortgage portfolio which is subject to forbearance is higher (typically c.3 times higher) than that of the similar portfolio of Residential mortgage exposures which are not subject to forbearance. For non-residential mortgage exposures which are subject to forbearance and where a specific provision is required, the exposure is reported as 'impaired' and is not reported as 'forborne'. The IBNR provision book cover on the non-residential mortgage portfolio which is subject to forbearance is higher (typically c.5 times higher) than that of the similar portfolio of non-residential mortgage exposures which are not subject to forbearance. In both cases, the higher provision cover is reflective of the additional credit risk inherent in such loans (given that forbearance is only provided to borrowers experiencing actual or apparent financial stress or distress), particularly the potentially higher risk of default and / or re-default.

Impaired loans review
Irrespective of the valuation methodology applied, it is Group policy to review impaired loans above agreed thresholds semi-annually, with the review including a reassessment of the recovery strategy, the continued appropriateness of the valuation methodology and the adequacy of the impairment provision.

Where information is obtained between reviews that impacts expected cash flows (e.g. evidence of comparable transactions emerging, changes in local market conditions, etc.), an immediate review and assessment of the required impairment provision is undertaken.

An impaired loan is restored to unimpaired status when the contractual amount of principal and interest is deemed to be fully collectible. Typically, a loan is deemed to be fully collectible based on an updated assessment by the Group of the borrower's financial circumstances. The assessment includes a demonstration of the customer's ability to make payments on the original or revised terms and conditions as may be agreed with the Group as part of a sustainable forbearance arrangement.

Methodologies for valuation of property collateral
Retail Ireland mortgage loan book property values are determined by reference to the original or latest property valuations held indexed to the Residential Property Price Index published by the CSO. Retail UK mortgage loan book property values are determined by reference to the original or latest property valuations held indexed to the Nationwide UK house price index.

In relation to commercial property valuations, there is a Court approved policy which sets out the Group's approach to the valuation of commercial property collateral and the key principles applying in respect of the type and frequency of valuation required. This policy is consistent with the CBI regulatory guidance. In line with the policy, valuations may include formal written valuations from external professionals or internally assessed valuations.

Internally assessed valuations are informed by the most appropriate sources available for the assets in question. This may include property specific information / characteristics, local market knowledge, comparable transactions, professional advice (e.g. asset management reports) or a combination thereof, in line with more detailed guidance and metrics which are approved at least annually by GRPC. These guidelines and metrics are informed by both internal and externally sourced market data / valuation information, including input from the Group's Real Estate Advisory Unit (REAU).

For internally assessed valuations, the appropriate valuation methodology applied is informed by a range of factors, including the risk profile of the underlying loan. For challenged assets, the appropriate methodology applied depends in part on the options available to management to maximise recovery which are driven by the particular circumstances of the loan and underlying collateral, e.g. the degree of liquidity and recent transactional evidence in the relevant market segment, the type, size and location of the property asset and its development potential and marketability. In all cases where the valuations for property collateral are used, the initial recommendation of the realisable value and the timeline for realisation are arrived at by specialist work-out units.

These estimated valuations are subject to review, challenge and, potentially, revision by experienced independent credit professionals in underwriting units within the Credit & Market Risk function and are ultimately approved in line with delegated authority upon the recommendation of the credit underwriting unit. At all approval levels, the impairment provision and the underlying valuation methodology is reviewed and challenged for appropriateness, adequacy and consistency.

3.1 Credit risk (continued)

Credit risk methodologies (continued)

IFRS 9 'Financial Instruments' *(unaudited)*
The Group's existing approach to impairment provisioning is based on an IAS 39 'incurred loss' model as set out in detail on pages 95 to 100 of the Risk Management Report. In summary, IAS 39 requires an incurred loss impairment approach for financial assets measured at amortised cost, and expected future credit losses, no matter how likely, are not permitted to be recognised until a loss event has occurred.

In contrast to IAS 39, IFRS 9, which is expected to be effective for annual reporting periods beginning on or after 1 January 2018[1], requires an 'expected credit loss' (ECL) approach to impairment provisioning, even if a loss event has not occurred. This approach, which is essentially a more forward-looking provisioning model, aims to be responsive to changes in the credit quality of financial assets based on the concept of 'significant increase in credit risk since initial recognition' (referred to as 'significant' in the table below). Principally, for ECL recognition, assets are grouped into three stages[2] based on deterioration in credit quality since initial recognition / origination as set out in the table below.

Assets can move between stages as credit quality deteriorates or improves with the exception of assets considered credit impaired on initial recognition which must always be subject to Lifetime ECL. In contrast to IAS 39, IFRS 9 requires a combination of historical, current and future expectations / forecasted conditions to be taken into account in the assessment of credit impairment. Current IAS 39 based impairment provisioning is based on historical information adjusted, as appropriate, for current observed conditions.

The introduction of twelve month ECL from the first period of initial recognition for 'Stage 1' assets together with Lifetime ECL for 'Stage 2' assets, which will include assets currently not classified as 'defaulted' and / or 'impaired', will likely result in higher and earlier recognition of impairment provisions than those currently reported under IAS 39, and will potentially be one of the key areas of change under IFRS 9. Relative to IAS 39, IFRS 9 contains a number of complex judgemental areas which will take time to fully implement.

In addition to the impairment aspects of the Standard, IFRS 9 also introduces changes in relation to the classification and measurement of financial instruments, as well as hedge accounting. For classification and measurement, IFRS 9 introduces a single classification and measurement model for financial assets which is dependent on both an entity's overall business model objective for managing financial assets ('business model assessment') and the contractual cash flow characteristics of each asset at initial recognition ('contractual cash flow characteristics'). This model, absent an accounting mismatch, is to be used to determine the most appropriate of the three principal financial asset classifications allowed under IFRS 9:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

The hedge accounting requirements in IFRS 9 are designed to align hedge accounting more closely with risk

IFRS 9 ECL Impairment Model: '3 stage' Approach	
Stage 1	• Assets that have not experienced a 'significant' deterioration in credit quality since initial recognition / origination. • 12-month ECL recognition - expected credit losses resulting from default events that may occur within 12 months of the reporting date (i.e. credit loss weighted by the probability that the loss will occur in the next 12 months).[3] • Interest revenue calculated on the gross carrying amount of the asset.
Stage 2	• Assets that have experienced a 'significant' deterioration in credit quality since initial recognition / origination, but are not credit-impaired. • Lifetime ECL recognition - expected credit losses resulting from all possible default events over the expected life of the asset (i.e. credit losses weighted by the probability of default occurring over the expected life of the asset). • Interest revenue calculated on the gross carrying amount of the asset.
Stage 3	• Assets that are 'credit impaired' - there is objective evidence of impairment at the reporting date. 'Credit impaired' is defined in IFRS 9 as when one or more events that have a detrimental impact on the estimated cash flow of the asset has occurred. • Lifetime ECL recognition. • Interest revenue calculated on the net carrying amount of the asset (net of credit loss allowance).

[1] IFRS 9 remains subject to EU endorsement, which is anticipated in the second half of 2016.
[2] While IFRS 9 does not use 'staging' terminology, the concept of 'staging' is evolving as the generally accepted market terminology.
[3] 12-month ECL is the portion of Lifetime ECL associated with the possibility of default in the next 12 months.

3.1 Credit risk (continued)

Credit risk methodologies (continued)

management activities, include enhanced disclosure requirements, and involve moving from a rules-based approach under IAS 39 to a more principles based approach in IFRS 9[1].

Following publication of the complete version of IFRS 9 in 2014 and the Group's preliminary assessment of its requirements, a Group IFRS 9 Programme was established during 2015. The CCMRO is the Group's IFRS 9 Programme sponsor and the CCMRO and the Group Chief Financial Officer report regularly to the Group Audit Committee on the Group's IFRS 9 Programme. Recognising the highly collaborative Risk, Finance, and Business approach required for the successful implementation of IFRS 9, the membership of the IFRS 9 programme Steering Committee, and other IFRS 9 decision making authorities subordinate to the Steering Committee, are cross-functional.

The Chair of the IFRS 9 Programme Steering Committee is the CCMRO and the alternate Chair is the Group Chief Financial Officer. Reflecting the scale and complexity of the IFRS 9 implementation plan, the Programme has been established to comprise of a number of individual dedicated work streams each responsible for the assessment and implementation of the various elements of the Standard. These teams are supported by a central programme management office and appropriate external advisors.

The Group estimates an overall two year implementation timeframe (from the end of 2015) for IFRS 9. This is reflective of the fact that this is a large, complex programme with multiple interdependencies and significant cross-functional reliance. Following its establishment in 2015, the Programme has transitioned from mobilisation and planning into design. As part of the design phase of the implementation plan, programme activities are currently focused on interpretation, policy, and design decisions, while also assessing the internal system, process and data requirements for the delivery of IFRS 9.

Key concepts within the IFRS 9 ECL impairment provisioning approach are judgemental in nature and, to facilitate practical implementation, will require interpretation by the Group. The Group is advancing this interpretation work in conjunction with the analysis and design of the impairment modelling approach, including the development of key model components, for the calculation of ECL provisions.

During 2016, the Programme is expected to transition into the build phase, which will include the construction of an impairment ECL model suite and detailed development work on the 'To-be' operating model and governance framework. It is currently intended that the build phase will be substantially completed during the first half of 2017, allowing parallel run activities in advance of full deployment for 1 January 2018.

All of these interpretation and design activities and decisions are integral to the Group's informed and reliable assessment of the estimated financial impact of the implementation of IFRS 9. Furthermore, given the complexity of the standard and scale of IFRS 9 implementation, which is likely to require changes and / or enhancements to Group systems, processes, policies, modelling approaches etc., the quantitative impact on impairment provisions and capital on initial application on 1 January 2018, or the potential volatility in impairment provisions and capital thereafter, cannot be reliably estimated at this stage.

The Group will progressively enhance its IFRS 9 reporting during the transition period, to provide more detailed and specific disclosure as implementation progresses, on the basis it is practical and reliable to do so.

[1] *IFRS 9 contains the option for banks to continue to apply the hedge accounting requirements of IAS 39.*

3.2 Liquidity risk

Key points
- Group customer deposits of €80 billion have increased by €5.3 billion since 31 December 2014. Volume growth has been across the Group's primary retail channels (Retail Ireland and Retail UK), with the strength of sterling over the period also contributing.
- The Group's Loan to Deposit Ratio (LDR) reduced by 4% to 106% at end December 2015.
- The Group's Liquidity Coverage Ratio (LCR) at end December 2015 was 108%. The Group has issued €3.7 billion of senior funding during 2015, in both secured and unsecured formats.
- The Group's Net Stable Funding Ratio at 31 December 2015 was 120%. The Net Stable Funding requirements are expected to come into effect from January 2018.

Definition of Liquidity Risk *(audited)*
Liquidity risk is the risk that the Group will experience difficulty in financing its assets and / or meeting its contractual payment obligations as they fall due, or will only be able to do so at substantially above the prevailing market cost of funds. Liquidity risk arises from differences in timing between cash inflows and outflows. Cash inflows are driven, inter alia, by the maturity structure of loans and investments held by the Group, while cash outflows are driven, inter alia, by the term of the debt issued by the Group and the outflows from deposit accounts held for customers. Liquidity risk can increase due to the unexpected lengthening of maturities or non-repayment of assets, a sudden withdrawal of deposits or the inability to refinance maturing debt. These factors are often associated with times of distress or adverse events such as a credit rating downgrade(s) or economic or financial turmoil.

Liquidity Risk Framework *(audited)*
The Group has established a liquidity risk management framework which encompasses the liquidity policies, systems and controls that are in place to ensure that the Group is positioned to address its daily liquidity obligations and to withstand a period of liquidity stress. This framework is informed inter alia by the Basel Committee on Banking Supervision recommendations for 'Principles for Sound Liquidity Risk Management and Supervision' 2008, the Central Bank of Ireland's 'Requirements for the Management of Liquidity Risk' 2009 and the European Banking Authority Guidelines on common procedures and methodologies for the supervisory review and evaluation process 2014.

Principal components of this framework are the Group's Risk Appetite Statement and associated limits and the Group's Funding and Liquidity Policy, both of which are approved by the Court on the recommendation of the GRPC and the CRC.

The Group's Liquidity Risk Appetite is developed through a risk assessment of the Group's activities within a spectrum of business models and market opportunities. In addition, it takes account of external regulatory requirements including, for example, regulatory liquidity standards arising from the implementation of the Commission Delegated Regulation published 10 October 2014 to supplement Regulation (EU) 575/2013 (the 'Delegated Act').

The Group Funding and Liquidity Policy identifies the Group's governance process with respect to Funding and Liquidity Risk, and sets out the core principles that govern the manner in which the risk is mitigated, monitored and managed. The operation of this policy is delegated to the Group's Asset and Liability Committee (ALCO).

These principal components are supported by further liquidity policies, systems and controls which the Group has to manage funding and liquidity risk. These include the Group's Internal Funds Transfer Pricing mechanism, Liquidity Stress Testing process, contingency funding plans and a suite of early warning indicators in place to identify the potential emergence of a liquidity stress.

Liquidity risk management *(unaudited)*
Liquidity risk management within the Group focuses on the control, within prudent limits, of risk arising from the mismatch in contracted maturities of assets and liabilities and the risks arising from undrawn commitments and other contingent liabilities.

Liquidity risk management consists of two main activities:
- Structural liquidity management focuses on the balance sheet structure funding mix account of the expected maturity profile of assets and liabilities and the Group's debt issuance strategy; and
- Tactical liquidity management focuses on monitoring current and expected daily cash flows to ensure that the Group's liquidity needs can be met. This takes account of the Group's access to unsecured funding (customer deposits and wholesale funding), the liquidity value of a portfolio of highly marketable assets and a portfolio of secondary assets that can be converted into liquidity to cover unforeseen cash outflows with market counterparties and / or Monetary Authorities.

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

3.2 Liquidity risk (continued)

SSM requirements include compliance with the Delegated Act which is a comprehensive set of measures to strengthen the regulation, supervision and risk management of the banking sector. These regulations introduce minimum liquidity requirements for regulated entities including:

- Liquidity Coverage Ratio - the liquidity coverage ratio (LCR) requires banks to have sufficient high-quality liquid assets to withstand a 30-day stressed funding scenario. The requirement is being introduced on a phased basis. A minimum 60% ratio applied from October 2015 rising to a minimum 100% ratio to apply from January 2018;
- Net Stable Funding Ratio - the net stable funding ratio (NSFR) requires banks to have sufficient quantities of funding from stable sources. The ratio is proposed to come into effect from January 2018; and
- Additional Pillar II liquidity requirements may also apply. The Group will continue to target a buffer above minimum applicable regulatory liquidity requirements.

The Central Bank of Ireland requires that banks have sufficient resources (cash inflows and marketable assets) to cover 100% of expected cash outflows in the 0 to 8 day time horizon and 90% of expected cash outflows in the 9 to 30 day time horizon.

The Group has remained in full compliance with the regulatory liquidity requirements throughout 2015, and as at 31 December 2015 maintained a buffer significantly in excess of regulatory minima.

Bank of Ireland (UK) plc is authorised by the Prudential Regulation Authority (PRA) and is subject to the regulatory liquidity regime of the PRA. Bank of Ireland (UK) plc has remained in full compliance with the regulatory liquidity regime in the UK throughout 2015, and as at 31 December 2015 maintained a buffer significantly in excess of regulatory liquidity requirements.

The Group completes an Internal Liquidity Adequacy Assessment Process (ILAAP) which assesses the key liquidity and funding risks to which it is exposed and details the Group's approach to determining the level of Liquidity Buffer (both Liquid Assets and Contingent Liquidity) required to be maintained.

The Group performs stress testing and scenario analysis to evaluate the impact of stresses on its liquidity position. These stress tests incorporate Group specific risks and systemic risks and are run at different levels of possible, even if unlikely, severity. Actions and strategies available to mitigate the stress scenarios are evaluated as to their appropriateness. Stress test results are reported to ALCO, the GRPC, the CRC and the Court.

The Group also monitors a suite of early warning indicators in order to identify the potential emergence of a liquidity stress. As part of its contingency planning the Group has identified a suite of potential contingency funding and liquidity options which could be exercised to help the Group to restore its liquidity position on the occurrence of a major stress event.

Liquidity risk reporting *(unaudited)*
The Group's liquidity risk appetite is defined by the Court to ensure that funding and liquidity are managed in a prudent manner.

The Court monitors adherence to the liquidity risk appetite through the monthly Court Risk Report.

Management inform the Court in the Court Risk Report of any significant changes in the Group's funding or liquidity position. The Court Risk Report includes the results of liquidity stress tests which estimate the potential impact on Group liquidity in a range of stress scenarios. The Court is also advised in the monthly CEO Report of emerging developments in the area of funding and liquidity in the markets in which the Group operates.

An annual review process is in place to enable the Court to assess the adequacy of the Group's liquidity risk management framework.

Management receives daily, weekly and monthly funding and liquidity reports and stress testing results which are monitored against the Group's Risk Appetite Statement. It is the responsibility of ALCO to ensure that the measuring, monitoring and reporting of funding and liquidity is adequately performed and complies with the governance framework.

Liquidity risk measurement *(audited)*
The Group's cash flow and liquidity reporting processes provide management with daily liquidity risk information by designated cash flow categories. These processes capture the cash flows from both on-balance sheet and off-balance sheet transactions. The tables below summarise the maturity profile of the Group's financial assets and liabilities, excluding those arising from insurance and participating investment contracts at 31 December 2015 and 31 December 2014. These maturity profiles are based on the remaining contractual maturity period at the balance sheet date (discounted). Unit linked investment liabilities and unit linked insurance liabilities with a carrying value of €5,729 million and €10,403 million respectively (31 December 2014: €5,680 million and €9,918 million respectively) are excluded from this analysis as their repayment is linked directly to the financial assets backing these contracts. The Group measures liquidity risk by adjusting the contractual cash flows on deposit books to reflect their inherent stability.

Customer accounts include a number of term accounts that contain access features. These allow the customer to access a portion or all of their deposits notwithstanding that this withdrawal could result in financial penalty being paid by the customer. For such accounts, the portion subject to the potential early access has been classified in the 'demand' category in the table below.

3.2 Liquidity risk (continued)

31 December 2015 **Maturities of financial assets and liabilities**	**Demand €m**	**Up to 3 months €m**	**3-12 months €m**	**1-5 years €m**	**Over 5 years €m**	**Total €m**
Assets						
Cash and balances at central banks	6,603	-	-	-	-	6,603
Trading securities	-	-	-	-	3	3
Derivative financial instruments	274	244	222	1,179	1,145	3,064
Other financial assets at fair value through profit or loss[1]	1,054	25	64	1,342	2,129	4,614
Loans and advances to banks	588	3,551	437	-	2	4,578
Available for sale financial assets[1]	-	337	685	5,716	3,282	10,020
Held to maturity financial assets	-	-	-	-	1,922	1,922
NAMA senior bonds[2]	-	157	471	786	-	1,414
Loans and advances to customers including assets classified as held for sale (before impairment provisions)	3,907	6,157	7,861	27,366	45,304	90,595
	12,426	**10,471**	**9,740**	**36,389**	**53,787**	**122,813**
Liabilities						
Deposits from banks	75	856	-	-	-	931
Drawings from Monetary Authorities (gross)	-	7	1,508	-	-	1,515
Customer accounts	51,746	14,747	9,258	4,042	371	80,164
Derivative financial instruments	284	375	420	883	1,657	3,619
Debt securities in issue	-	858	1,366	5,246	4,278	11,748
Subordinated liabilities	-	-	980	725	735	2,440
Total	**52,105**	**16,843**	**13,532**	**10,896**	**7,041**	**100,417**

31 December 2014 Maturities of financial assets and liabilities	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Assets						
Cash and balances at central banks	4,991	-	-	-	-	4,991
Trading securities	-	-	-	-	12	12
Derivative financial instruments	356	94	212	1,324	1,706	3,692
Other financial assets at fair value through profit or loss[1]	988	27	37	544	2,321	3,917
Loans and advances to banks	913	3,553	381	-	4	4,851
Available for sale financial assets[1]	-	1,144	393	5,624	6,419	13,580
NAMA senior bonds[2]	-	183	548	1,643	-	2,374
Loans and advances to customers[3] (before impairment provisions)	5,766	5,399	8,023	26,035	44,318	89,541
	13,014	10,400	9,594	35,170	54,780	122,958
Liabilities						
Deposits from banks	153	1,484	408	86	-	2,131
Drawings from Monetary Authorities (gross)	-	2,924	20	1,495	-	4,439
Customer accounts	43,671	15,578	9,741	5,600	247	74,837
Derivative financial instruments	275	264	129	1,281	2,089	4,038
Debt securities in issue	-	2,041	3,039	4,547	3,698	13,325
Subordinated liabilities	-	-	70	1,005	1,425	2,500
Total	44,099	22,291	13,407	14,014	7,459	101,270

1. *Excluding equity shares which have no contractual maturity.*
2. *The maturity date of the NAMA senior bonds is based on their assessed behavioural maturity.*
3. *Comparative figures for the profile of loans and advances to customers have been adjusted to reflect a change in assessment of maturity dates in the current year. The total amount remains unchanged.*

3.2 Liquidity risk (continued)

Funding Strategy *(unaudited)*
The Group seeks to maintain a stable funding base with core loan portfolios substantially funded by customer deposits and term wholesale funding.

Customer deposits *(unaudited)*
The Group's customer deposit strategy is focused on growing high quality, stable deposits at acceptable pricing by leveraging the Group's extensive customer franchises in Ireland and the UK. The Group continues to focus on the growth of retail deposits and relationship-based corporate deposits which arise from the Group's broader lending and treasury risk management activities.

In Ireland, customer deposits are gathered and retained through the Group's extensive omni-channels - branch network, digital and telephone banking via consumer, business and corporate banking services. In the UK customer deposits are primarily gathered through the Group's strategic partnership with the UK Post Office and established branch network in Northern Ireland. During 2015, the Group established a new partnership in the UK with the AA allowing it to target UK deposit growth via both its existing partnership with the UK Post Office and the new AA partnership.

Group customer deposits of €80 billion have increased by €5.3 billion since 31 December 2014. Notwithstanding actions to further reduce the cost of deposits, balances in the Retail Ireland division have grown by €2.5 billion. In line with the overall trend in the European market, current account credit balances have increased offsetting a reduction in term deposit balances. Bank of Ireland (UK) plc deposits have increased by £1.5 billion, mainly due to increased volumes generated through the partnership with the Post Office. Deposits in the Corporate and Treasury division were lower in the year by €0.6 billion.

Deposits include €0.1 billion which relate to sale and repurchase agreements with financial institutions that do not hold a banking licence.

Customer deposits of €80 billion at 31 December 2015 (31 December 2014: €75 billion) do not include €1.9 billion (31 December 2014: €2.3 billion) of savings and investment products sold by Bank of Ireland Life. These products have fixed terms (up to seven years) and consequently are an additional source of stable funding for the Group.

The majority of personal and small business customer deposits continue to be guaranteed under statutory deposit guarantee schemes.

Customer deposits	**31 December 2015 €bn**	31 December 2014 €bn
Retail Ireland	39	37
- Deposits	*22*	*22*
- Current account credit balances	*17*	*15*
Retail UK	29	26
Retail UK (Stg£bn equivalent)	22	20
- UK Post Office	*17*	*16*
- Other Retail UK	*5*	*4*
Corporate and Treasury	12	12
Total customer deposits	**80**	**75**
Loan to deposit ratio	**106%**	**110%**

3.2 Liquidity risk (continued)

Wholesale funding *(unaudited)*
The Group in the normal course aims to maintain funding diversification, minimise concentrations across funding sources and minimise refinancing maturity concentrations.

Wholesale funding of €14 billion has decreased by c.€5.7 billion since 31 December 2014 primarily related to the impact of:

- higher customer deposits (c.€5.3 billion);
- the issue of an AT1 security (c.€0.75 billion); and
- retained earnings c.€0.8 billion,
- lower holdings of NAMA bonds (c.€1.0 billion); partially offset by
- an increase in loans and advances to customers (c.€2.6 billion).

The Group's funding from Monetary Authorities of €1.5 billion at 31 December 2015 has decreased by c.€2.9 billion since 31 December 2014. All ECB Monetary Authority funding is drawn under the Targeted Longer Term Refinancing Operation (TLTRO).

At 31 December 2015, €10.7 billion or 75% of wholesale funding had a term to maturity of greater than one year (31 December 2014: €9.5 billion or 48%). The increase since 31 December 2014 relates to the maturity during 2015 of borrowings via the ECB's Long Term Repo Operations (LTRO) and new term issuances during the year. Wholesale funding (excluding ECB Monetary Authority funding) with a maturity of less than one year was €2 billion (31 December 2014: €8 billion) of which €0.5 billion is secured.

During the year ended 31 December 2015, the Group accessed the term debt markets issuing:

- €750 million of Irish Mortgage Asset Covered Securities (ACS debt) in a five-year transaction in January 2015 at 20 basis points over mid swaps;
- €750 million five-year senior unsecured debt in March 2015 at 100 basis points over mid swaps;
- €1 billion of Irish Mortgage ACS debt in a seven-year transaction in May 2015 at 5 basis points over mid swaps; and
- €750 million of Irish Mortgage ACS debt in a five-year transaction in October 2015 at 33 basis points over mid swaps.

Eligible Liabilities Guarantee Scheme
As described in note 50(b), the Group participated in the ELG Scheme, which guaranteed certain liabilities of Irish financial institutions. The scheme was withdrawn effective 28 March 2013. Any existing qualifying liabilities (i.e. liabilities originated from 11 January 2010 up to and including 28 March 2013 and having a contractual maturity of five years or less) will continue to be covered until maturity.

Deposit balances covered by the ELG scheme reduced to €0.7 billion during the year ended 31 December 2015 in line with the maturity profile.

3.2 Liquidity risk (continued)

	31 December 2015		31 December 2014	
Wholesale funding sources	**€bn**	**%**	€bn	%
Secured funding	10	69%	14	72%
- ECB Monetary Authority	*1*	*11%*	*4*	*22%*
- Covered bonds	*6*	*42%*	*6*	*31%*
- Securitisations	*3*	*16%*	*3*	*13%*
- Private market repo	*-*	*1%*	*1*	*6%*
Unsecured funding	4	31%	6	28%
- Senior debt	*3*	*25%*	*5*	*23%*
- Bank deposits	*1*	*6%*	*1*	*5%*
Total Wholesale funding	**14**	**100%**	**20**	**100%**
Wholesale market funding < 1 year to maturity	2	16%	8	48%
Wholesale market funding > 1 year to maturity	11	84%	8	52%
ECB Monetary Authority funding < 1 year to maturity	1	-	3	-
ECB Monetary Authority funding > 1 year to maturity	-	-	1	-
Wholesale funding covered by ELG Scheme	-	-	2	-
Liquidity metrics				
Liquidity Coverage Ratio[1]		108%		103%
Net Stable Funding Ratio[2]		120%		114%
Loan to deposit ratio		106%		110%

[1] The Group's Liquidity Coverage Ratio (LCR) is calculated based on the Commission Delegated Regulation (EU) 2015/61 which came into force on 1 October 2015. The comparative period has been restated and has been calculated on the same basis.
[2] The Group's Net Stable Funding Ratio (NSFR) is calculated based on the Group's interpretation of the Basel Committee on Banking Supervision October 2014 document.

	At 31 December 2015[1]				At 31 December 2014			
Wholesale funding maturity analysis[2]	**Unsecured funding €bn**	**Secured funding from Monetary Authorities €bn**	**Secured funding private sources €bn**	**Total wholesale funding €bn**	Unsecured funding €bn	Secured funding from Monetary Authorities €bn	Secured funding private sources €bn	Total wholesale funding €bn
Less than three months	1	-	-	1	3	3	1	7
3 months to one year	1	1	-	2	-	-	4	4
One to five years	2	-	5	7	2	1	3	6
More than five-years	-	-	4	4	1	-	2	3
Wholesale funding	**4**	**1**	**9**	**14**	**6**	**4**	**10**	**20**

[1] The ECB has committed to full allotment in its monetary policy operations at least until the end of the reserve maintenance period ending in December 2016.
[2] The maturity analysis has been prepared using the expected maturity of the liabilities.

3.2 Liquidity risk (continued)

Funding and liquidity position *(unaudited)*
S&P and Moody's raised the Group's senior debt credit rating to BBB- and Baa2 respectively, revising the outlook on the Group's senior debt to positive (S&P) and stable (Moody's).

During 2015, Fitch reduced the Group's senior debt credit rating to BB+ following a review of sovereign support for banks globally before raising it to BBB- with a positive outlook in advance of year end.

The Group's credit ratings from DBRS have remained stable during 2015 at BBB (High).

The Group is now rated as Investment grade from all four rating agencies.

Ireland - Senior debt *(unaudited)*	**31 December 2015**	31 December 2014
Standard & Poor's	A+ (Stable)	A (Stable)
Moody's	Baa1 (Positive)	Baa1 (Stable)
Fitch	A- (Positive)[1]	A- (Stable)
DBRS	A (Positive trend)	A (Low) (Positive trend)

BoI - Senior debt *(unaudited)*	**31 December 2015**	31 December 2014
Standard & Poor's	BBB- (Positive)	BB+ (Positive)
Moody's	Baa2 (Positive)	Ba1 (Stable)
Fitch	BBB- (Positive)	BBB (Negative)
DBRS	BBB (High) (Stable trend)	BBB (High) (Negative trend)

[1] *Fitch upgraded its rating on Irish sovereign debt from A- to A on 5 February 2016.*

Balance sheet encumbrance *(unaudited)*
Consistent with the European Banking Authority guidelines (EBA Guidelines on Disclosure of encumbered and unencumbered assets, June 2014) the Group treats an asset as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any transaction from which it cannot be freely withdrawn. It is Group policy to maximise the amount of assets available for securitisation / pledging through the standardisation of loan structures and documentation.

For the purposes of liquidity risk management the Group monitors and manages balance sheet encumbrance via risk appetite. The Group's overall encumbrance level at year ended 31 December 2015 was 18% (31 December 2014: 24%) with c.€21 billion of the Group's assets encumbered (31 December 2014: €28 billion). The decrease in encumbered assets is primarily related to the repayment of the Group's borrowings via the ECB's Long Term Repo Operations.

3.3 Market risk

Key points:

- The Value at Risk (VaR) arising from discretionary risk-taking remained at relatively low levels, but this partially reflected the exceptionally low levels of market volatility. The Group continues to take moderate interest rate positions in both Trading and Banking books in addition to positions in foreign exchange and traded credit markets.
- The Group continues to actively measure and manage its structural market risks.

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

It is Group policy to minimise exposure to market risk, subject to a relatively conservative permission to take discretionary risk. Nonetheless, certain structural market risks remain and, in some cases, are difficult to eliminate fully. These structural risks arise inter alia from the presence of non-interest related assets and liabilities on the balance sheet, the multiplicity of pricing conventions for variable rate assets, liabilities and derivatives, the multi-currency mix of assets and liabilities and the requirement in the Group's case to fund sterling assets out of euro. In addition, the Group bears economic exposure to changes in the value of securities held as liquid assets, or held in the non-linked book in New Ireland Assurance Company plc (NIAC) as a result of credit spread movements.

Risk management, measurement and reporting *(audited)*
The management of market risk in the Group is governed by the Group's Risk Appetite Statement and by the Group Policy on Market Risk, both of which are approved by the Court. Market risk limits and other controls are set by the Group's Asset and Liability Committee (ALCO) which has primary responsibility for the oversight of market risk.

Group market risk is responsible for ensuring that the Group identifies, understands and measures the market risks to which it is exposed. It is charged with maintaining a policy framework and a set of methods to quantify market risk that are appropriate and fit for purpose, and with operating effective monitoring and reporting arrangements that ensure compliance with policy, limits and other controls. Management receives daily, weekly and monthly reports that show compliance with the Group's market risk limits on both discretionary and structural risks. On a quarterly basis, the Court monitors adherence to the defined risk appetite for market risk through the Court Risk Report.

In the case of the Group's banking business, interest rate risk arising on customer lending and term deposit-taking is centralised by way of internal hedging transactions with Bank of Ireland Global Markets (BoIGM), which is the treasury execution arm of the Group. Market risk also arises through wholesale funding, investment in securities for liquid asset purposes, the creation of certain savings products (mainly equity-linked) and through servicing the foreign exchange and interest-rate risk management needs of corporate and business customers. These market risks are hedged by BoIGM as a matter of course with external markets or - in the case of a small quantum of the risks concerned - are run as short-term discretionary risk positions subject to policy and limits. Discretionary risk-taking is confined to interest rate, foreign exchange and traded credit risk.

Similarly, market risks in the Group's life assurance business, NIAC, are minimised. However, certain residual risks are inherent in this business, notably exposure to credit spreads on assets held in the non-unit linked book, and indirect exposure to equity markets through changes in the discounted value of fees applied to equity assets held by policy holders in insurance contracts. This is discussed in greater detail below.

The activities set out above involve, in many instances, transactions in a range of derivative instruments. The Group makes extensive use of derivatives to hedge its balance sheet, service its customer needs and - to a much lesser extent - assume discretionary risk. The Group's participation in derivatives markets is subject to policy approved by the Court Risk Committee. The Group makes a clear distinction between derivatives which must be transacted on a perfectly hedged basis and those whose risks can be managed within broader interest rate or foreign exchange books.

Since these books can be structured to assume some degree of discretionary market risk, derivative positions held within them will not necessarily be exactly hedged. Discretionary market risk can only be assumed in clearly defined categories of derivatives which are traded in well-established liquid markets, supported by industry standard conventions and documentation and valued in accordance with generally accepted methods.

Structural and other economic risks *(audited)*
Notwithstanding the overriding objective of running minimal levels of market risk, certain structural market risks remain and are managed centrally as part of the Group's asset and liability management process.

Structural interest rate risk
Structural interest rate risk arises from the existence of non-interest bearing or behaviourally fixed-rate assets and liabilities on the balance sheet. The principal non-interest bearing liabilities are equity and non-interest bearing current accounts; the principal assets are expected recoveries on impaired loans. It

3.3 Market risk (continued)

is Group policy to invest its net non-interest bearing liabilities (or free funds) in a portfolio of swaps with an average life of 3.5 years and a maximum life of 7 years.

This has the effect of mitigating the impact of the interest rate cycle on net interest margin. The structural interest rate risk arising on impaired loans is managed with a combination of swaps and natural offsets in the customer deposit book.

Basis risk
Basis risk is the exposure of the Group's earnings to sustained changes in the differentials between the floating rates to which the Group's assets, liabilities and swap hedges are linked. In the Group's case, the principal rates used for product and derivative repricing are one, three and six month Euribor and sterling Libor, the ECB Refinancing Rate and the Bank of England Base Rate. Changes in the level of systemic stress in financial markets, structural supply / demand factors and the policy actions of central banks can bring about sustained changes in the differential, or basis, between these different floating rate indices. This, in turn, can have an adverse impact on the Group's net interest margin.

In addition, the requirement to fund the Group's sterling balance sheet in part from euro creates a structural exposure to the cost of hedging this currency mismatch which is known as cross currency basis. The Group actively hedges this exposure to secure the funding of the sterling balance sheet and smooth the exposure to cross currency basis. The Group employs selective hedging to reduce its exposure to basis risk.

Structural fx risk
The Group defines structural fx risk as the exposure of its key capital ratios to changes in exchange rates. Changes in exchange rates can increase or decrease the overall euro-equivalent level of RWAs. It is Group policy to manage structural fx risk by ensuring that the currency composition of its RWAs and its structural net asset position by currency are broadly similar. This is designed to minimise the impact of exchange rate movements on the principal capital ratios.

At 31 December 2015, the Group's structural net asset positions in sterling and US dollar are set out in the table below. This represents the Group's net investment in subsidiaries, associates and branches, the functional currencies of which are currencies other than euro.

The Group has reduced its structural net asset positions, as set out in the table below:

Structural fx position	**31 December 2015 €m**	31 December 2014 €m
Sterling - net asset position	2,716	2,938
US dollar - net asset position	599	504
Total structural fx position	**3,315**	**3,442**

Unaudited:
A 10% strengthening in both sterling and US dollar against the euro would have resulted in an increase in the Group's Common equity tier 1[1] ratio of 5 basis points as at December 2015.

[1] *On 23 November 2015, the Group announced that it had received ECB approval to exercise its discretion to redeem the remaining €1.3 billion 2009 Preference Stock, that it would exercise this discretion on the earliest possible date of 4 January 2016 and served notice of redemption to Baggot Securities Limited, as current holder of the stock. The 2009 Preference Stock was derecognised from CET 1 regulatory capital in November 2015.*

3.3 Market risk (continued)

Credit spread risk on available for sale assets *(unaudited)*
Securities purchased as liquid assets and classified as available for sale are held at fair value on the balance sheet. Movements in fair value of these holdings (other than changes due to impairments) are recognised in the reserves. At 31 December 2015, the Group held €10.1 billion in securities classified as available for sale financial assets (31 December 2014: €13.6 billion). A one basis point increase in the average spread to Euribor or Libor of the book at 31 December 2015 would have reduced its value by €4.6 million (31 December 2014: €5.7 million). Analogous economic risk exists in relation to securities held against the non-linked book in NIAC, discussed below.

Discretionary market risk *(audited)*
Discretionary risk is a risk that is carried in the expectation of gain from near-term movements in liquid financial markets retained through the closing-out of the positions concerned. BoIGM is the sole Group business unit permitted to run discretionary market risk. Discretionary risk can be taken by leaving naturally arising customer or wholesale-generated risks un-hedged for a period or by taking proprietary positions in the market. Discretionary market risk is subject to strict controls which set out the markets and instruments in which risk can be assumed, the types of positions which can be taken and the limits which must be complied with. BoIGM's discretionary market risk is confined to interest rate risk, foreign exchange risk and credit spread exposure to sovereigns, financials and credit default swap (CDS) indices.

The Group does not seek to generate a material proportion of its earnings through discretionary risk taking and it has a low tolerance for earnings volatility arising from this activity which is reflected in policy, limits and other controls applied.

The Group employs a Value at Risk (VaR) approach to measure, and set limits on, discretionary market risk. This applies to risk taken in the Banking Book (naturally arising risk that is left un-hedged) or risk that is pro-actively assumed in the Trading Book. The Group measures VaR for a one-day horizon at the 99% (two-tailed) level of statistical confidence. This means that, for a given set of market risk positions on a given day, the Group believes there is no more than a 1% chance of a gain or loss in excess of the VaR number over the following day.

The Group recognises that VaR is subject to certain inherent limitations and therefore VaR limits are supplemented by scenario-based stress tests. Position limits and 'stop losses' are also a central element of the control environment.

The Group's peak, average and end of period one-day VaR in the year ended 31 December 2015 and in the year ended 31 December 2014 are set out in the following table. In the case of interest rate risk, this distinguishes between overall interest rate risk (Trading and Banking Book combined) and interest rate risk in the Trading Book.

The Group's peak, average and end of period, one-day VaR in the year ended 31 December 2015 and in the year ended 31 December 2014 are set out in the following table:

Value at Risk	**Year ended 31 December 2015 €m**	Year ended 31 December 2014 €m
Overall interest rate VaR		
Peak	1.3	2.8
Average	0.7	1.2
End period	0.5	0.5
Trading book interest rate VaR		
Peak	1.1	2.0
Average	0.6	0.9
End period	0.2	0.2
Foreign exchange VaR		
Peak	0.8	1.0
Average	0.4	0.6
End period	0.4	0.4

3.3 Market risk (continued)

Market risk in NIAC *(unaudited)*
The market risks inherent in life assurance are set out below.

NIAC's business consists of a non-unit linked protection policy book and a unit linked funds management book.

In managing the interest rate risk in its non-linked book, NIAC has regard to the sensitivity of its solvency reserves, as well as its IFRS earnings, to market movements. NIAC follows a policy of close asset / liability matching to ensure that the exposure of its solvency reserves to interest rate movements remains within prudent tolerances. Throughout 2015, the company managed the exposure on its solvency reserves in anticipation of Solvency II, the capital standard which came into effect on 1 January 2016 and which introduced significant changes in the measurement of the level, and financial market sensitivity of solvency reserves.

Earnings on NIAC's non-linked book can also be affected by credit spread changes. A widening of sovereign - and to a much lesser extent corporate - credit spreads can adversely affect reserves and profitability. While this is mitigated by diversification across eurozone sovereigns and between sovereigns and corporates, but it cannot be fully eliminated.

At 31 December 2015, the impact on earnings of a 50 basis point parallel shift in yield curves, holding spread relationships constant, would have been €3 million negative for an upward shift and €2 million positive for a downward shift (31 December 2014: €2 million negative and €2 million positive respectively).

At the same time, at 31 December 2015 a 50 basis point widening of all credit spreads (measured as bond yields minus the corresponding swap rate) would have had an impact on earnings of €24 million negative, while a 50 basis point tightening would have had a positive impact of €19 million (31 December 2014: €23 million negative and €20 million positive).

NIAC's earnings are also indirectly exposed to changes in equity markets. This arises because a management fee is charged on the value of €4 billion of equities held for policy holders in insurance contracts in its unit-linked book. As equity markets move up and down, this gives rise to a change in current and discounted future streams of equity-related fees which is reflected in NIAC's earnings. Every 1% fall in equity markets applied to positions at 31 December 2015 would have reduced NIAC's earnings by €2 million (31 December 2014: €2 million reduction). Every 1% increase in equity markets would have had an equal and opposite impact.

3.4 Life insurance risk

Key points:

- The life insurance market remains competitive in Ireland but with opportunities for well diversified, well focused companies.
- Overall mortality and morbidity experience in the period remained favourable relative to the long-term average assumptions.
- In relation to longevity risk, new business exposure was materially lower in 2015 as the attractiveness of the annuity product line was reduced due to the continued low interest rate environment. In line with its ongoing risk mitigation programme, NIAC reinsured some back book longevity exposure during 2015 on favourable terms.
- Persistency rates continued to show improvement during 2015 and remain favourable relative to the long-term average assumptions. Management of persistency remains a key focus for the business.
- The application of the Solvency II Directive from 2016 will result in an enhanced risk-based approach to the capital and governance frameworks underpinning life insurance companies.

Definition *(audited)*
Life insurance risk is defined as the volatility in the amount and timing of claims caused by an unexpected change in mortality, longevity, persistency or morbidity. Mortality risk is the risk of deviations in timing and amounts of cash flows due to the incidence of death. Longevity risk is the risk of such deviations due to increasing life expectancy trends among policyholders and pensioners, resulting in higher than normal payout ratios. Morbidity risk, primarily critical illness risk, is the risk of deviations in timing and amount of cash flows (such as claims) due to incidence or non-incidence of disability and sickness. Persistency or lapse risk is the risk to profitability if policies surrender early as the company will lose the future income streams on these contracts

Risk management *(audited)*
Life insurance risk is underwritten and managed by NIAC, a wholly owned subsidiary of the Group and is reflected and monitored as part of the Group Risk Appetite. The management of insurance risk is the responsibility of the Board of NIAC. Responsibilities delegated by the Board to the Reinsurance Committee include completing a review of the reinsurance arrangements at least annually and reporting on this review to the Board Risk Committee. This includes a review of the panel of reinsurers that may be used and the optimal structure of its reinsurance arrangements. The Reinsurance Committee comprises senior members of the management team with actuarial and underwriting expertise.

Risk measurement *(audited)*
The amount at risk on each life insurance policy is the difference between the sum assured payable on the insured event and the reserve held. Risk experience is monitored monthly. Actual claims experience is compared to the underlying risk assumptions (including difference between sum assured and reserves and expected movement in Value of in Force (VIF)). Risk profits and losses are reported to senior management and reflected in new business pricing and new product design.

Risk mitigation *(audited)*
NIAC mitigates the potential impact of insurance risk through a number of measures. These include reinsurance, underwriting, contract design and diversification.

Risk reporting *(audited)*
An update on the status of life insurance risk is included in the Court Risk Report which is presented to the GRPC, the CRC and the Court on a quarterly basis. The Own Risk and Solvency Assessment (ORSA) report in respect of NIAC is also presented to GRPC on an annual basis.

Future developments *(audited)*
Solvency II is the new pan European regulatory framework for insurance companies. Its implementation from 1 January 2016 will transition the regulatory framework to an enhanced risk-based system coupled with additional governance and disclosure requirements. In preparation, and to demonstrate readiness companies have been complying with interim guidelines as issued by the regulatory authorities.

3.5 Regulatory risk

Key points:

- During 2015 the regulatory landscape saw significant change, with new policy developments coupled with the first full year of operation of the Single Supervisory Mechanism (SSM) and preparations undertaken by Competent Authorities in preparation for the Single Resolution Mechanism (SRM) which came fully into effect on 1 January 2016.
- Programmes were established in the Group during the year to commence preparation for the significant regulatory change agenda over coming years, including the Markets in Financial Instruments Directive / Markets in Financial Instruments Regulation (MiFID / MiFIR), the Market Abuse Directive / the Market Abuse Regulation (MAD / MAR), Recovery and Resolution Directive and the Mortgage Credit Directive (MCD).
- The heavy regulatory and compliance agenda is expected to continue in 2016. The Group will maintain its focus on continuing compliance with the existing regulatory requirements of the jurisdictions in which it operates including the requirements of the European Central Bank (ECB), Central Bank of Ireland (CBI), the Financial Conduct Authority (FCA) and Prudential Regulatory Authority (PRA) in the UK, and the Federal Reserve Bank of New York in the US.
- Regulators conduct investigations and examinations on an industry wide basis from time to time (e.g. tracker mortgages); the durations and outcomes of which are currently unknown. Bank of Ireland is also working closely with the Central Bank to address matters raised by it, such as compliance with aspects of the various legislative and regulatory frameworks, for example the Criminal Justice Act 2010 and the Consumer Protection Code 2012. Significant progress has been made however, the potential for enforcement exists. More generally, given the extensive and ever-increasing nature of regulation and regulatory oversight, regulatory enquiry and potentially enforcement action and sanctions can and may arise on certain matters from time to time.

Definition

Regulatory Risk includes Regulatory Change Risk and Compliance Risk. Regulatory change is the risk that a change in laws and regulations that govern the Group will materially impact the Group's business, profitability, capital, liquidity, products or markets. The associated risk is that the Group fails to take timely action to remediate and / or that the Group fails to effectively manage the regulatory change process. Compliance risk is the risk of failure to comply with existing regulatory / legislative requirements. It also includes the associated risk to earnings and capital and the risk of legal or regulatory sanctions, material financial loss, or loss to reputation that the Group may suffer as a result of non-compliance.

Risk management and measurement

The Group manages regulatory risk under the Group risk management framework. The framework identifies the Group's formal governance process around risk, including its framework for setting risk appetite and its approach to risk identification, assessment, measurement, management and reporting. This is implemented by accountable executives, monitored by the Group Regulatory Compliance and Operational Risk Committee (GRCORC), and within the overall Group risk governance structure outlined on pages 69 to 71. The effective management of regulatory risk is primarily the responsibility of business management and is supported by the Group Regulatory Compliance and Operational Risk (GRCOR) function.

As detailed in the Group's Risk Appetite Statement, the Group adopts a zero-tolerance for material regulatory compliance failures, however acknowledges that instances may occur as a consequence of being in business. The Group has therefore established an approach to ensure the identification, assessment, monitoring, management and reporting of these instances. The Group also undertakes risk based regulatory and compliance monitoring.

Risk reporting

The current status of regulatory risk is reported to senior executives and Court members through the Court Risk Report on a monthly basis. The Head of the GRCOR function reports to the GRCORC on the status of regulatory risk in the Group, including the status of the top regulatory risks and the progress of associated risk mitigation initiatives, issues and breaches, and significant regulatory interactions. Furthermore, the Head of the GRCOR function provides reports to the Group Audit Committee and the Court Risk Committee on regulatory compliance risk matters.

Risk mitigation

Risk mitigants include the early identification, appropriate assessment and measurement and reporting of risks. The primary risk mitigants for regulatory risk are the existence of appropriate controls in place throughout the business.

3.6 Operational risk

Key points:

- The Group seeks to operate an effective framework for the mitigation and control of operational risk. During 2015 the Group continued to enhance its operational risk management processes, including a revised organisational structure, more granular risk identification and assessment processes, and the embedding of new technology solutions.
- Throughout 2015, regulatory bodies within all relevant jurisdictions continued their focus on overseeing the development of operational risk standards and practices. The Group maintained constructive engagements with supervisors and continued to ensure it is in a position to meet its regulatory obligations including fulfilling specified risk mitigation requirements within expected timeframes.
- In 2016, the Group will continue its investment programme to improve and integrate its operational risk management tools and processes with a strong focus on technology, as well as engage constructively with the regulatory agenda.

Definition

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

Risk management

The Group faces operational risks in the normal pursuit of its business objectives. The primary goals of operational risk management and assurance are ensuring the sustainability and integrity of the Group's operations and the protection of its reputation by controlling, mitigating or transferring the impact of operational risk. Operational risk cannot be fully eliminated, however the Group has established a formal approach to the management of operational risk in the form of an 'Operational Risk Management Framework' which defines the Group's approach to identifying, assessing, managing, monitoring and reporting the operational risks which may impact the achievement of the Group's business objectives. This framework consists of inter alia:

- formulation and dissemination of a Group Operational Risk policy specifying the risk management obligations of management within the Group;
- establishment of organisational structures for the oversight, monitoring and management of operational risk throughout the Group;
- embedding formal operational risk management processes and standards within business and support units throughout the Group; and
- maintaining competencies of relevant staff in the operational risk management process, and awareness of potential exposures.

Operational risk policy

The Group's exposure to operational risk is governed by policy formulated by the GRCORC in accordance with the Court's risk appetite and is approved by the CRC within the overall Group risk governance structure outlined on pages 69 to 71.

Risk mitigation and transfer

In addition to business unit risk mitigation initiatives, the Group implements specific policies and risk mitigation measures for key operational risks, including financial crime, outsourcing and business disruption risks. This strategy is further supported by risk transfer mechanisms such as the Group's insurance programme, whereby selected risks are reinsured externally.

The Group calculated its Pillar I regulatory capital using the Standard Approach (TSA). The Pillar I and Pillar II capital add-on are held to cover the potential financial impact of operational risk events.

Operational risk events

An operational risk event is any circumstance where as a result of an operational risk materialising, the Group has, or could experience, a financial, customer, reputational impact, or a business disruption. A standard reporting threshold is used across the Group for recording such events and for standard inputs to Common Reporting (COREP) reporting to the CBI. Every business unit within the Group submits detailed operational risk event information. This information includes the gross loss amount, direct and indirect recoveries and risk taxonomy of the event.

Risk reporting

The Court receives a monthly operational risk update via the Court Risk Report. In addition, there is an annual challenge and review process in place to enable the Court to consider the adequacy of Group-wide operational risk management processes and whether residual risk exposure remain within the Group's Risk Appetite.

The Head of the GRCOR function reports to the GRCORC on the status of operational risk in the Group, including the status of the top operational risks and the progress of associated risk mitigation initiatives, significant loss events and the nature, scale and frequency of overall losses. Furthermore, the Head of the GRCOR function provides reports to the Group Audit Committee and the Court Risk Committee on operational risk matters.

In addition to day-to-day control measures implemented by business units, theme-based monitoring of operational risks and controls is conducted throughout the year by an independent internal monitoring team within the GRCOR function. Such monitoring activities provide a basis for assessment and validation of the performance of controls and the adequacy of mitigation.

3.7 Business and strategic risk

Key points:

- On an annual basis the Court reviews the Group's strategic objectives and key underlying assumptions to confirm that the strategic shape and focus of the Group remains appropriate.
- The Group continues to effectively manage a range of programmes including ongoing investment in its infrastructure, complying with the regulatory environment whilst continuing to invest in improving resilience, efficiencies and customer experience across channels while seeking to meet the requirements of the new regulatory landscape.
- The macroeconomic environment in which the Group operates continued to improve in 2015.
- Macroeconomic assumptions within a one year timeframe indicate another year of strong growth and improving labour market and property market conditions in 2016.

Definition

Business and strategic risk assesses (1) the Group's current business model on the basis of its ability to generate acceptable returns over the following twelve months, given its quantitative performance, key success drivers and dependencies, and business environment and (2) the sustainability of the Group's strategy on the basis of its ability to generate acceptable returns over a forward-looking period of at least three years based on its strategic plans and financial forecasts, and an assessment of the business environment.

It includes the risk that the Group fails to develop or to execute successful strategies to deliver acceptable returns in the context of the economic, competitive, regulatory / legal and interest rate environments that arise.

Risk management, measurement and reporting

Divisions and business units are responsible for delivery of their business plans and management of such factors as pricing, sales and loan volumes, operating expenses and other factors that may introduce earnings volatility. Business divisional and portfolio strategy is developed within the boundaries of the Group's strategy as well as the Group's Risk Appetite Statement. These strategies are approved by business divisional CEOs and presented to the Court on an annual basis.

Monitoring of business and strategic risk is performed on a divisional basis, and measured quarterly, with a scorecard addressing movements in key indicators around income diversification, margin trends, customer advocacy, direct and indirect costs, and staff turnover. In addition to this, business and strategic risk is evaluated through quarterly updates in the Court Risk Report which is reviewed by the GRPC, the CRC and the Court. The key dimensions evaluated within business and strategic risk are;

- appropriate strategic plan and financial projections;
- strength of our competitive position;
- management capability, technology capability and resource availability;
- concentration of our assets, funding and income streams; and
- the strength and stability of our returns.

The Group also reviews business and strategic risk as part of the annual risk identification process.

Risk mitigation

The Group mitigates business risk through business planning methods, such as the diversification of revenue streams, cost base management and oversight of business plans which are informed by expectations of the external environment and the Group's strategic priorities.

At an operational level, the Group's annual budget process sets expectation at a business unit level for volumes and margins. The tracking of actual and regularly forecasted volumes and margins against budgeted levels is a key financial management process in the mitigation of business risk.

In the case of strategic risk, this risk is mitigated through regular updates to the Court on industry developments, the macroeconomic environment and associated trends which may impact the Group's activities, review of the competitive environment and strategies at a divisional and business unit level.

3.8 Pension risk

Key points:

- Defined benefit pension funds are subject to market fluctuations, and interest rate and inflation risks, thus a level of volatility is associated with defined benefit pension funding.
- In order to further address this volatility, a review of the Group sponsored defined benefit pension schemes was initiated and completed in 2013. The resulting proposals arising from the review were accepted by employee members of the main defined benefit scheme, the Bank Staff Pensions Fund (BSPF).
- These proposals have now been implemented for the BSPF. Similar proposals were implemented for two other Group defined benefit schemes during 2014 and a third scheme in 2015.
- Further liability and risk management exercises have continued in 2015 and will be considered on an ongoing basis in 2016.

Definition
Pension risk is the risk in the Group defined benefit pension schemes that the assets are inadequate or fail to generate returns that are sufficient to meet the schemes' liabilities. This risk crystallises for the sponsor when a deficit emerges of a size which implies a material probability that the liabilities will not be met.

Risk management, measurement and reporting
The Group sponsors a number of defined benefit pension schemes for past and current employees. The Group's net IAS 19 pension deficit at 31 December 2015 was €0.7 billion (31 December 2014: €1.0 billion) (see note 42). The investment policy pursued to meet the schemes' estimated future liabilities is a matter for the Trustees and the schemes' Investment Committees. The Group, as sponsor, has an opportunity to communicate its views on investment strategy to the Trustees and receives regular updates including scenario analysis of pension risk.

The Court receives monthly updates on movements in assets, liabilities and the size of the deficit and also more detailed quarterly updates through the Court Risk Report. In addition, there is an annual review of pension risk to ensure that the Court is satisfied with the processes in place to manage the risk and that residual risk is within the Group's risk appetite.

Risk mitigation
In order to mitigate pension risk, a new hybrid scheme was introduced in 2007 for all new entrants (see note 42) and the defined benefit schemes were closed to new entrants. A defined contribution scheme was introduced during 2014 for all new employees and the hybrid scheme was closed to new entrants.

In 2010 the Group carried out an extensive pensions review in order to address the pension deficit by a combination of benefit restructuring and additional employer contributions over a period of time to 2016. In 2013 a further review, which also incorporated benefit restructuring, was carried out which reduced the pension deficit and is expected to further reduce the deficit through additional employer financial support in the period from 2016 to 2020. This additional financial support will broadly match the deficit reduction as a result of the benefit restructuring.

Volatility and interest rate exposure was further reduced in 2014 when the Group agreed with the Trustees to transfer 20% of the listed equity portfolio to bonds during 2014. Further liability and risk management exercises have continued in 2015 and are considered on an ongoing basis. Nevertheless a deficit still exists and as the pension funds are subject to market fluctuations, interest rate and inflation risks, a level of volatility associated with IAS 19 pension deficits (see note 42) and their impact on the Group's capital ratios remains.

3.9 Reputation risk

Key points:
The Group's reputation continues to be influenced and shaped by a range of factors; macroeconomic and political environment, media and public commentary and general sector developments. More specifically Bank of Ireland decisions and actions in pursuit of its strategic and tactical business objectives and their interaction with the external environment will also influence reputation.

Within this context, the actions and achievements of the Group over the past twelve months or so have impacted positively on the Group's reputation, most notably:
- Continuing to be the largest lender to the Irish economy in 2015;
- Publication of the Group's first Responsible Business Report;
- Announcement of new long-term partnership between Bank of Ireland (UK) plc and the AA; and
- Protecting and building our capital, thereby enabling the redemption of the expensive 2009 Preference Stock.

During the past year the Group has also managed the potential impact on its reputation, through successful identification of potential risks, communication and risk mitigation planning when dealing with challenges.

Definition
Reputation risk is defined as the risk to earnings or franchise value arising from adverse perception of the Group's image on the part of customers, suppliers, counterparties, shareholders, investors, staff, legislators or regulators. This risk typically materialises through a loss of business in the areas affected. Reputation is not a standalone risk but overlaps with other risk areas and may often arise as a consequence of external events or operational risk related issues.

Risk management, measurement and reporting
Group Communications is the primary function responsible for managing reputation risk in Bank of Ireland. With the exception of certain specific communications to, for example, investors and regulators, Group Communications manages all external and internal communications, stakeholder and government relations, and corporate social responsibility, helping to reinforce the Group's reputation with its employees, customers, government, general public and the wider community. Reputation risk indicators are tracked on an ongoing basis. These indicators are:
- media monitoring;
- market trends and events;
- stakeholder engagement; and monitoring risk events which may have the potential to impact Group reputation.

The Group reviews reputation risk as part of the annual risk identification process. Quarterly updates are reported to the GRPC, the CRC and the Court as part of the Court Risk Report. In addition there is an annual review of reputation risk to ensure that the Court is comfortable with the processes in place to manage reputation risk and that residual risk is within the Group's risk appetite.

Risk mitigation
A wide range of processes and structures are used to identify, assess and mitigate the potential risk to the Group's reputation. Managing the Group in a manner that ensures that the potential impact on the Group's reputation is taken into account in decision making is paramount in mitigating against reputation risk.

4 Capital management

Key points:

- Common equity tier 1 (CET 1) ratio is 13.3% under CRD IV transitional rules at 31 December 2015.
- The Group notes that the current SSM CET 1 SREP requirement is 10.25%, calculated on a transitional basis, and that the Group will have a requirement to maintain an O-SII buffer phased in as follows: 0.5% from July 2019, 1.0% from July 2020 and 1.5% from July 2021. The calibration of SREP, O-SII requirements are subject to annual review by the Group's regulators.
- In addition, both the Central Bank of Ireland (RoI) and Financial Policy Committee (UK) have set the Countercyclical buffer (CCyB) at 0% from 1 January 2016.
- The Group expects to maintain sufficient capital to meet at a minimum applicable regulatory capital requirements plus an appropriate management buffer of 100 to 150 basis points.
- CET 1 ratio is 12.9% on a pro-forma basis under the CRD IV transitional rules at 1 January 2016.
- Total capital ratio is 18.0% under CRD IV transitional rules at 31 December 2015.
- On a pro-forma full implementation basis, the CET 1 ratio is 11.3% at 31 December 2015.
- In June 2015, the Group successfully raised €750 million of new CRD IV compliant AT1 securities at an initial coupon of 7.375%. See note 47 for further information.
- On 23 November 2015, the Group announced that it had received SSM approval to exercise its discretion to redeem the remaining €1.3 billion 2009 Preference Stock, that it would exercise this discretion on the earliest possible date of 4 January 2016 and served notice of redemption to Baggot Securities Limited, as current holder of the stock. The 2009 Preference Stock was derecognised from CET 1 regulatory capital in November 2015. See note 46 for further details.
- Leverage ratio is 6.6% on a CRD IV transitional basis and 5.7% on a pro-forma full implementation basis as at 31 December 2015.

Capital management objectives and policies *(audited)*

The objectives of the Group's capital management policy are to ensure that the Group has sufficient capital to cover the risks of its business and support its strategy and at all times to comply with regulatory capital requirements. It seeks to minimise refinancing risk by managing the maturity profile of non-equity capital whilst the currency mix of capital is managed to ensure that the sensitivity of capital ratios to currency movements is minimised. The capital adequacy requirements set by the SSM / ECB and economic capital based on internal models, are used by the Group as the basis for its capital management. The Group seeks to maintain sufficient capital to ensure that these requirements are met.

CRD IV *(unaudited)*

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

CRD IV is divided into three sections commonly referred to as Pillars. Pillar I contains mechanisms and requirements for the calculation by financial institutions of their minimum capital requirements for credit risk, market risk and operational risk.

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

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

The Group's Pillar III disclosures for year ended 31 December 2015 should be read in conjunction with this section of the report.

CRD IV Legislation commenced implementation on a phased basis from 1 January 2014. The CRD IV transition rules result in a number of new deductions from CET 1 capital being introduced on a phased basis typically with a 20% impact in 2014, 40% in 2015 and so on until full implementation by 2019 (with the exception of deferred tax assets which are phased to 2024). CRD IV also includes requirements for regulatory and technical standards to be published by the European Banking Authority (EBA). While some of these have not yet been published, it is not anticipated that there would be a material incremental impact on the Groups capital ratios. The Central Bank of Ireland (CBI) published its 'Implementation of Competent Authority Discretions and Options in CRD IV and CRR' on 21 May 2014 which clarified the application of transitional rules in Ireland under CRD IV.

The ECB is currently undertaking a review of national discretions and options contained in the CRD IV with a view to harmonising the current treatments across

Capital management (continued)

its jurisdictions. As part of the review the ECB has published draft proposals (Regulation and Guide), which are currently at a consultation stage and are expected to be implemented during H1 2016. These proposals include a number of changes which may have a net negative impact on the Group's transitional capital ratios such as increasing the phase in of the DTA deduction (although partially offset by the removal of the AFS sovereign filter). The pro-forma impact of the ECB review of national discretions on the Group's CET 1 ratio on a transitional basis as at 1 January 2016 would, if implemented on that date, result in a net reduction of c.10 basis points.

Capital requirements / buffers

(unaudited)

The Group's key capital ratios are set out on pages 36 to 38.

The Group has received further clarity on its minimum regulatory capital requirements. The SSM has advised that the Group's SREP requirement for 2016 is to maintain the CET 1 ratio at a level of 10.25%, calculated on a transitional basis. The Central Bank of Ireland has advised that the Group will be required to maintain an O-SII buffer, which will be phased in as follows: 0.5% from July 2019, 1.0% from July 2020 and 1.5% from July 2021. Both the SREP requirement and the O-SII buffer are subject to annual review by the SSM and the Central Bank of Ireland (CBI) respectively.

In addition, both the Central Bank of Ireland (RoI) and Financial Policy Committee (UK) have set the Countercyclical buffer (CCyB) at 0% from 1 January 2016.

The Group expects to maintain sufficient capital to meet, at a minimum, applicable regulatory capital requirements plus an appropriate management buffer of 100 - 150 basis points.

Capital actions completed in 2015

(unaudited)

Additional tier 1 issuance (AT1)

In June 2015, the Group successfully raised €750 million of new CRD IV compliant AT1 securities at an initial coupon of 7.375%. See note 47 for further information.

2009 Preference Stock derecognition

On 23 November 2015, the Group:

- announced that it had received SSM approval to exercise its discretion to redeem the remaining €1.3 billion 2009 Preference Stock;
- announced that it would exercise this discretion on 4 January 2016, the earliest possible date consistent with the Group's announcement in December 2013 of the sale of the 2009 Preference Stock to private investors; and
- served notice of redemption to Baggot Securities Limited, as current holder of the stock.

The 2009 Preference Stock was derecognised from CET 1 regulatory capital in November 2015. See note 46 for further details.

Capital resources

The following table sets out the Group's capital resources.

Group capital resources	31 December 2015 €m	31 December 2014 €m
Other equity (including equity reserves)	8,372	7,453
Nominal amount outstanding of 2009 Preference Stock	-	1,300
Stockholders' equity	8,372	8,753
Other equity instruments	740	-
Non-controlling interests - equity	1	(6)
Total equity	**9,113**	**8,747**
Undated subordinated loan capital	180	171
Dated subordinated loan capital	2,260	2,329
Total capital resources	**11,553**	**11,247**

Unaudited:

In the year ended 31 December 2015 the Group's total capital resources increased by €0.3 billion to €11.6 billion due primarily to:

- attributable profit generated during the year; and
- the issuance of €750 million of AT1 securities in June 2015; offset by
- the derecognition of the 2009 Preference Stock in November 2015.

Governance

Corporate Governance Statement

The Court of Directors (the 'Court') is accountable to stockholders for the overall direction and control of the Group. It is committed to high standards of governance designed to protect the long-term interests of stockholders and all other stakeholders while promoting the highest standards of integrity, transparency and accountability.

A key objective of the Group's governance framework is to ensure compliance with applicable legal and regulatory requirements. The Governor and Company of the Bank of Ireland (the 'Bank') is subject to the Central Bank of Ireland's Corporate Governance Code for Credit Institutions and Insurance Undertakings 2013 (the 'Irish Code' which is available on www.centralbank.ie), including the additional requirements of Appendix 1 and Appendix 2 of the Irish Code for High Impact Designated Institutions, and Credit Institutions which are deemed 'Significant' Institutions (for the purposes of the Capital Requirements Directive ('CRD IV')), respectively. The Irish Code was split and renamed on the 15 December 2015 to provide for requirements for Credit Institutions and Insurance Undertakings separately. The requirements of the Irish Code were not altered as a result of this split. The Corporate Governance Requirements for Credit Institutions 2015 apply to Credit Institutions with effect from 11 January 2016. The Bank is also subject to the UK Corporate Governance Code 2014 published by the Financial Reporting Council in the UK (the 'UK Code' which is available on www.frc.org.uk) and the Irish Corporate Governance Annex to the Listing Rules of the Irish Stock Exchange (the 'Irish Annex' which is available on www.ise.ie).

The Directors believe that the Bank complied with the provisions of the Irish Code throughout 2015. They also believe the Bank complied with the provisions of the UK Code and the Irish Annex throughout 2015, otherwise than as set out herein:

- Tom Considine is a member of the Group Audit Committee. As Tom Considine was nominated by the Minister for Finance under the terms of the Credit Institutions (Financial Support) Scheme, 2008 and is not required to stand for election or regular re-election by stockholders, he has not been classified as an independent Non-executive Director. The Group Audit Committee continues to benefit from the judgement and the quality of the contributions of Tom Considine and comprises a minimum of three independent Non-executive Directors as per provision C.3.1 of the UK Code. In accordance with the Bye-Laws of the Bank, Directors nominated by the Minister for Finance may not serve as a Director of the Bank for a period of longer than nine years after his or her date of appointment; and
- provision B.7.1 of the UK Code recommends annual election of directors by stockholders. In accordance with the Bye-Laws of the Bank, Government nominated Directors are not required to put themselves up for re-election on an annual basis and accordingly Tom Considine was not submitted for re-election at the Annual General Court held in 2015. Government nominated Directors are subject to an annual review of their fitness and probity.

Details of how the Bank applied the main and supporting principles of the UK Code throughout the year ended 31 December 2015 are set out in this Corporate Governance Statement and in the Remuneration Report. These also cover the disclosure requirements set out in the Irish Annex, which supplement the requirements of the UK Code with additional corporate governance provisions.

The Group believes it has robust governance arrangements, which include a clear organisational structure with well defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks to which it is or might be exposed and appropriate internal control mechanisms, including sound administrative and accounting procedures, IT systems and controls. The system of governance is subject to regular internal review.

Directors are aware that, should they have any material concern about the overall corporate governance of the Group, it should be reported without delay to the Court and, should their concerns not be satisfactorily addressed within five business days, the Directors should report the concern to the Central Bank of Ireland.

The Court's oversight of risk and control is supported through delegation of certain responsibilities to Committees of the Court, the principal Committees being the Group Audit Committee, the Court Risk Committee, the Group Nomination and Governance Committee and the Group Remuneration Committee. Details of these Committees are set out on pages 125 to 132 and 147. The Chairman of each Committee formally reports on key aspects of Committee proceedings to the subsequent scheduled meeting of the Court and minutes of principal Committees are tabled at the Court as soon as possible for noting and / or discussion as necessary. The terms of reference of the Committees are reviewed annually by the relevant Committees and by the Court and are available on the Group's website (www.bankofireland.com) or by request to the Group Secretary.

The Court of Directors

Court size and composition

At close of business on 31 December 2015, the Court comprised twelve Directors: the Governor, who was independent on appointment, two Executive Directors and nine Non-executive Directors, seven of whom have been determined by the Court to be independent Non-executive Directors in accordance with the requirements of the UK Code and Irish Code. Patrick O'Sullivan resigned as a Director with effect from 29 April 2015. Fiona Muldoon was appointed to the Court with effect from 12 June 2015. Biographical details, including each

The Court of Directors

Director's background, experience and independence classification, are set out on pages 141 to 146.

The composition of the Court and its Committees is reviewed by the Group Nomination and Governance Committee and the Court, on an annual basis, to ensure that there is an appropriate mix of skills and experience. This includes a review of tenure, an assessment of the skills profile of the Court and consideration of succession for key roles, to ensure the Court and Committees comprise Directors having a comprehensive understanding of the Group's activities and the risks associated with them. In addition, where any appointment or resignation will alter the overall size of the Court, a review is undertaken to ensure that the composition remains appropriate. The Court regards its current size and composition as appropriate to provide the broad range of skills and experience necessary to govern the business effectively, while enabling full and constructive participation by all Directors.

In 2015 the Group completed a review of the ongoing fitness and probity of persons in 'pre-approval controlled functions' (PCFs) whereby Directors were asked to confirm any changes in circumstances in respect of their compliance with the Fitness and Probity Standards issued by the Central Bank of Ireland (the 'Standards'). All changes in circumstances disclosed were assessed and their materiality determined. Time commitments of Directors were considered as part of this review process and Directors confirmed that they continue to have sufficient time to perform their roles. The Court concluded that each of the Directors of the Court has the requisite standard of fitness, probity and financial soundness to perform their functions with reference to the Standards and provided the required confirmation to that effect to the Central Bank of Ireland.

Role of the Court

The Court's role is to provide leadership of the Group within the boundaries of Risk Appetite and a framework of prudent and effective controls which enable risk to be identified, assessed, measured and controlled. The Court sets the Group's strategic aims and risk appetite to support the strategy, ensuring that the necessary financial and human resources are in place for the Group to meet its objectives, and reviews management performance. The Court has a schedule of matters specifically reserved for its decision which is reviewed and updated regularly. Matters requiring Court approval include:

- the determination of strategy;
- determination of risk appetite, approval of the Group Risk Framework and approval of the Group's Risk Appetite Statement;
- approval of the Group's Internal Capital Adequacy Assessment Process;
- overseeing the culture, values and ethics of the Group;
- overseeing the management of the business;
- overseeing the internal control and risk management systems of the Group;
- approval of the Group's business plans and budgets;
- overseeing corporate governance and succession planning;
- acquisitions or divestments of companies for sums greater than €40 million except for credit management purposes;
- approval of Core equity tier 1 capital investments of greater than €20 million in a regulated subsidiary and €40 million in any other subsidiary;
- approving capital expenditure (in excess of €40 million);
- approving guarantees entered into by the Group, other than in the normal course of business;
- approving changes in the funding / benefits of Group pension schemes;
- the approval of equity underwriting sums of greater than €20 million; and
- certain specified senior management appointments.

The Court is also responsible for endorsing the appointment of individuals who may have a material impact on the risk profile of the Group and monitoring on an ongoing basis their appropriateness for the role. The removal from office of the head of a 'control function', as defined in the Irish Code, is also subject to Court approval.

The Court is responsible for determining high-level policy and strategic direction in relation to the nature and scale of risk that the Group is prepared to assume to achieve its strategic objectives. The Court approves the Group Risk Framework on an annual basis and receives regular updates on the Group's risk environment and exposure to the Group's material risk types through a Court Risk Report reviewed quarterly (and monthly for liquidity, credit, capital and operational risk). Further information on risk management and the Court's role in the risk governance of the Group is set out in the Risk Management Report at pages 68 to 71.

The work of the Court follows an agreed schedule of topics which evolves based on business need and is formally reviewed annually by the Court. The Court monitors and reviews the performance of the Group through a series of updates, receives updates from the Group's principal businesses on the execution of their business strategy and considers reports from each of the principal Court Committees. The strategy of the Group and performance against strategic goals continued to receive considerable focus throughout 2015. In addition the following are amongst matters which received Court attention during the year:

- Group strategy;
- capital strategy and capital allocation;
- Internal Liquidity Adequacy Assessment Process;
- the financial performance of the Group;
- the performance of the Group's business divisions and its major subsidiaries;
- Retail UK strategy update and Post Office partnership review;
- IT strategy and risk profile;

The Court of Directors (continued)

- the Mortgage Arrears Resolution Strategy (MARS);
- the Group's distribution strategy;
- review of wealth management and New Ireland Assurance Company;
- review of the Group leveraged acquisition finance business;
- Group values and culture;
- leadership development and engagement;
- the Group Recovery Plan;
- developments in the regulatory and corporate governance environment including the Companies Act 2014;
- outcomes of regulatory reviews including Risk Mitigation Plans;
- annual Court effectiveness evaluation and annual Fitness and Probity review of the Court;
- developments from an economic, investor and stakeholder perspective;
- the implications for the Group of a possible British exit from the EU;
- overview of Additional tier 1 capital prospectus and transactions; and
- related party transactions and disclosure obligations.

The Court held twelve meetings during the year ended 31 December 2015. As part of its oversight of major subsidiaries, the Court visited the registered office of its UK subsidiary, Bank of Ireland (UK) plc, during the year. Further details on the number of meetings of the Court and its Committees and attendance by individual Directors are set out on page 134.

Agendas and papers are circulated prior to each meeting to provide the Directors with relevant information to enable them to discharge fully their duties.

The Group Secretary provides dedicated support for Directors on any matter relevant to the business on which they require advice separately from or additional to that available in the normal Court process. The Bank has in place Directors' and Officers' liability insurance in respect of legal actions against its Directors.

Conflicts of interest
A Court Conflicts of Interest Policy has been approved which sets out how actual, potential or perceived conflicts of interest are to be identified, reported and managed to ensure that Directors act at all times in the best interests of the Bank. This policy is reviewed on an annual basis.

The Group Code of Conduct, which applies to all employees and Directors of the Group, clarifies the duty on all employees to avoid conflicts of interests. The Code of Conduct is reviewed on an annual basis and communicated throughout the Group.

Time commitment
The Group ensures that individual Directors of the Court have sufficient time to dedicate to their duties, having regard to applicable regulatory limits on the number of directorships which may be held by any individual Director. The Bank has been classified as a 'significant institution' under the European Union (Capital Requirements) Regulations 2014 (the 'Regulations'). During the year ended 31 December 2015, all Directors were within the directorship limits set out for significant institutions under the Regulations.

Governor, Deputy Governor, Senior Independent Director and Group Chief Executive Officer
The respective roles of the Governor, who is Chairman of the Court, and the Group Chief Executive Officer, which are separate, are set out in writing and have been agreed by the Court. The Governor oversees the operation and effectiveness of the Court, including ensuring that agendas cover the key strategic items confronting the Group and encouraging all Directors to participate fully in the discussions and activities of the Court. He also ensures that there is effective communication with stockholders and promotes compliance with corporate governance standards. The Governor commits a substantial amount of time to the Group and his role has priority over any other business commitment. There were no changes to the other significant commitments of the Governor during the year ended 31 December 2015. During the year, the Governor and Non-executive Directors met without the executive Directors present, to discuss a range of business matters.

The Deputy Governor deputises for the Governor as required and is a Trustee of the Bank Staff Pension Scheme.

The 'Senior Independent Director' (SID) provides Court members, the Group Secretary, stockholders and customers with an additional channel, other than the Governor or the Group Chief Executive Officer, through which to convey, should the need so arise, concerns affecting the Governorship or the Court, or any other issue.

The Group Chief Executive Officer is responsible for execution of approved strategy, holds delegated authority from the Court for the day-to-day management of the business and has ultimate executive responsibility for the Group's operations, compliance and performance. Procedures are in place to review the Group Chief Executive's contract at least every five years and this was formally reviewed in 2015.

Balance and independence
The independence status of each Director on appointment is considered by the Group Nomination and Governance Committee and the Court. In addition, the independence status of each Director is reviewed on an annual basis to ensure that the determination regarding independence status remains appropriate. In 2015 the Court considered the principles relating to independence contained in the Irish Code and the UK Code and concluded that the previously determined independence status of each Director was appropriate. Specifically the Court concluded that the Governor was independent on appointment, and that each current Non-executive Director, with the exception of Tom Considine and Brad Martin, is independent within the meaning of the Irish Code and the UK Code. Tom Considine was nominated by the Minister

The Court of Directors (continued)

for Finance under the terms of the Credit Institutions (Financial Support) Scheme, 2008 and is not required to stand for election or regular re-election by stockholders. Brad Martin represents a significant stockholder in the Bank. Neither therefore, is considered independent by reference to the terms of the Irish Code and the UK Code. The Court values and benefits from their judgement and the quality of their contribution to the deliberations of the Court and its Committees.

Each of the Governor, Deputy Governor and all of the Non-executive Directors bring independent challenge and judgement to the deliberations of the Court through their character, objectivity and integrity.

Role of the Group Nomination and Governance Committee

At 31 December 2015 the Group Nomination and Governance Committee ('N&G Committee') comprised four members. It is chaired by the Governor and its composition is fully compliant with the Irish Code, the UK Code and CRD IV. Patrick O'Sullivan resigned from the N&G Committee on 29 April 2015 and Patrick Haren was appointed to the N&G Committee on 27 November 2015. Biographical details, including each member's background and experience, are set out on pages 141 to 146. The key responsibilities of the N&G Committee include:

- leading the process for appointments and renewals for the Court and Court Committees;
- overseeing the process for key subsidiary Board Non-executive Director appointments and renewals;
- with the support of the Group Secretary, keeping Court governance arrangements under review and making appropriate recommendations to the Court to ensure corporate governance practices are consistent with good practice corporate governance standards;
- overseeing subsidiary governance to ensure that appropriate and proportionate governance arrangements are in place for Group subsidiaries; and
- overseeing the Group's Corporate Responsibility Programme.

The N&G Committee met six times in 2015. Recruitment and succession planning for the Court, Committees of the Court and for the Boards of substantial regulated subsidiaries received considerable attention during the year. As Patrick O'Sullivan retired following the 2015 Annual General Court, the N&G Committee oversaw the succession to the positions of Deputy Governor and Senior Independent Director. Patrick Kennedy was appointed Deputy Governor and Patrick Haren was appointed Senior independent Director on 29 April 2015. The N&G Committee also led the process culminating in the appointment of an additional Non-executive Director, Fiona Muldoon, on 12 June 2015. Additional matters considered by the N&G Committee during the year included: a review of;

- the Court and Court Committee composition, including consideration of the skills profile of the Court;
- the independence of each Non-executive Director of the Court;
- the fitness and probity of pre-approval controlled function holders in the Bank;
- the annual Court Performance evaluation including individual director evaluations;
- the effectiveness of the Court's committees;
- the effectiveness of the boards of substantial regulated subsidiaries;
- the Senior Management Development Programme;
- the Group Code of Conduct;
- the Group Speak Up policy;
- the Court Conflicts of Interest Policy;
- the Court Diversity Policy and diversity targets;
- the Director and Key Function Holder Assessment Policies;
- the Court Governance and Subsidiary Governance Policies;
- the Group Corporate Governance Statement and Annual Compliance Statement;
- upstream corporate governance developments;
- feedback from governance meetings with Investors;
- the corporate social responsibility reporting framework of the Group; and
- appointments to the Bank's pension schemes.

Diversity

The Court benefits from the diverse range of skills, knowledge and experience acquired by the Non-executive Directors as directors of other companies, both national and international, or as leaders in the public and private sectors. The effectiveness of the Court depends on ensuring the right balance of Directors with banking or financial services experience and broader commercial experience. Following review in 2015, the N&G Committee determined that the skills profile of the Court was appropriate in the areas identified as relevant to the business of the Group including: financial services (incorporating retail, corporate and insurance sector experience), strategy development, finance, risk management, business experience, economics, corporate finance, human resources, customer engagement, international experience, engagement with investors / capital markets, credit, IT skills and experience of dealing with regulators and governments. Directors bring their individual knowledge, skills and experience to bear in discussions on the major challenges facing the Group.

The Group recognises the benefits of having a diverse board. In reviewing Court composition and identifying suitable candidates, the N&G Committee considers the benefits of all aspects of diversity including the skills identified as relevant to the business of the Group, regional and industry experience, background, nationality, gender, age and other relevant qualities in order to maintain an appropriate range and balance of skills, experience and background on the Court. During 2015 the N&G Committee reviewed the Court Diversity Policy (the latest version of which is available on the Group's website) and the measurable

The Court of Directors (continued)

objectives set out thereunder. The Court had set a target of achieving and maintaining a minimum of 15% female representation on the Court by the end of 2015. In 2015 the 15% target was achieved, following the appointment of Fiona Muldoon, and the Court continued to focus on improving diversity. As as 31 December 2015, there was 17% female representation on the Court.

Appointments to the Court
The Court is committed to identifying the people best qualified and available to serve on the Court and is responsible for the appointment of Directors (with the exception of the Government nominated Director). The Court plans for its own renewal with the assistance of the N&G Committee, which regularly reviews Court composition, tenure and succession planning. In accordance with the Director Assessment Policy and Court Diversity Policy all appointments are made on merit against objective criteria (including the skills and experience the Court as a whole requires to be effective) with due regard for the benefits of diversity on the Court.

Prior to the appointment of a Director, the N&G Committee approves a job specification, assesses the time commitment involved and identifies the skills and experience required for the role, having regard to the formal assessment of the skills profile of the Court and succession planning. The recruitment process for Non-executive Directors is supported by an experienced third party professional search firm which develops an appropriate pool of candidates and provides independent assessments of the candidates. The Group then works with that firm to shortlist candidates, conduct interviews / meetings (including meetings with members of the N&G Committee and the Court) and complete comprehensive due diligence. In accordance with the Director Assessment Policy of the Court, the assessment process and the due diligence completed is extensive and includes self-certification confirmations of probity and financial soundness and external checks involving a review of various publicly available sources. It also involves the N&G Committee satisfying itself as to the candidate's ability to devote sufficient time to the role, independence, fitness and probity, and assessing and documenting its consideration of possible conflicts of interests. The N&G Committee then makes a recommendation to the Court. Appointments will not proceed where conflicts emerge which are significant to the overall work of the Court.

The processes described above were followed in the selection and appointment of Fiona Muldoon to the Court in June 2015. Harty International, an external search consultancy firm which, among other consultants, also assists with executive searches for the Group, was engaged in respect of this Non-executive Director appointment.

All newly-appointed Directors are provided with a comprehensive letter of appointment detailing their responsibilities as Directors, the terms of their appointment and the expected time commitment for the role. A copy of the standard terms and conditions of appointment of Non-executive Directors can be inspected during normal business hours by contacting the Group Secretary. Directors are required to devote adequate time to the business of the Group, which includes attendance at regular meetings and briefings, preparation time for meetings and visits to business units. In addition, Non-executive Directors are normally required to sit on at least one Committee of the Court, which involves the commitment of additional time. Certain Non-executive Directors, such as the Deputy Governor, Senior Independent Director and Committee Chairmen, are required to allocate additional time in fulfilling those roles.

Induction and professional development
On appointment, all Non-executive Directors receive a comprehensive induction programme designed to familiarise them with the Group's operations, management and governance structures, including the functioning of the Court and the role of the key committees. In addition, new Non-executive Directors undertake significant induction in relation to risk and business matters, including visits to or presentations by Group businesses and briefings with senior management. Further meetings are arranged as required based on the particular circumstances of each Director.

On an ongoing basis, briefings appropriate to the business of the Group are provided to all Non-executive Directors. In order to ensure that the Directors continue to further their understanding of the issues facing the Group, Directors are provided with professional development sessions and briefings on a range of technical matters tailored to their particular requirements. During the year ended 31 December 2015, the modules attended by Directors included Trends and Insights in Regulatory Enforcement; Accounting Training to include IFRS plus Irish and UK GAAP; Risk appetite Statement Deep Dive; Companies Act 2014; Lobbying Legislation; UK BOI Mortgage Sales Platform; Distribution Policy; Financial and Cybercrime Risk; Group Code of Conduct; Countering the Financing of Terrorism; and Sanctions Risk Awareness. Directors are also offered the option of attending suitable external educational courses, events or conferences designed to provide an overview of current issues of relevance to Directors.

The Directors have access to the advice and services of the Group Secretary, who is responsible for advising the Court on all governance issues and for ensuring that the Directors are provided with relevant information on a timely basis to enable them to consider issues for decision and to discharge their oversight responsibilities. The Directors also have access to the advice of the Group Legal Adviser and to independent professional advice, at the Group's expense, if and when required. Committees of the Court have similar access and are provided with sufficient resources to undertake their duties.

The Court of Directors (continued)

Performance evaluation
There is a formal process in place for annual evaluation of the Court's own performance, that of its principal Committees and of individual Directors (including the Governor). An evaluation of the Court's performance and that of its Committees is conducted every year, with an externally facilitated review conducted at least every third year. The objective of these evaluations is to review past performance with the aim of identifying any opportunities for improvement, determining whether the Court / Committee as a whole is effective in discharging its responsibilities and, in the case of individual Directors, to determine whether each Director continues to contribute effectively and to demonstrate commitment to the role.

Court evaluation
Following an external evaluation in 2013 by ICSA Board Evaluation, internal evaluations were conducted for 2015. This comprehensive self-evaluation process, which was led by the Governor and supported by the Group Secretary, considered overall performance relative to the role of the Court and consisted of:
- completion of written evaluations by each Director;
- one to one discussions between the Governor and each Director; and
- discussion by the Court of the assessment and recommendations for change or improvement.

The outcome of the Court evaluation was considered by the N&G Committee and collectively discussed by the Court. The Court concluded that it continues to be effective.

Committee evaluations
The Chairman of each principal Court Committee led the self-evaluation process in respect of Committee performance. The process was supported by the completion of questionnaires tailored to each specific Committee. The results of this process were considered by each individual Committee with conclusions and any relevant recommendations reported to the Court. The Court concluded that each of its principal Committees continues to be effective.

Director evaluations
The annual individual Director performance evaluation was led by the Governor and involved;
- the circulation of tailored questionnaires to Directors;
- one to one discussions between the Governor and each Director;
- consideration of the findings by the N&G Committee; and
- presentation of the overall findings to the Court for consideration.

The Court concluded that each individual Director continues to make a valuable contribution to the deliberations of the Court, continues to be effective and demonstrates continuing commitment to the role.

Governor evaluation
The Senior Independent Director leads the process of evaluation of the Governor's performance, based on written submissions and one to one discussion with each Director. The Senior Independent Director presents the results of these assessments to the Group Nomination and Governance Committee and the Court for discussion, without the Governor being present. The Senior Independent Director then meets the Governor to present him with the Court's conclusions on his effectiveness. The Senior Independent Director also meets individual Directors on such other occasions as are deemed appropriate.

The Court concluded that the Governor continues to lead the Court effectively, continues to make a valued contribution and demonstrates continuing commitment to the role.

Term of appointment and re-election of Directors
Non-executive Directors are normally appointed for an initial three year term, with an expectation of a further term of three years, assuming satisfactory performance and subject to the needs of the business, stockholder re-election and continuing fitness and probity. A Non-executive Director's term of office will not extend beyond nine years in total unless the Court, on the recommendation of the N&G Committee, concludes that such extension is necessary due to exceptional circumstances. In respect of Executive Directors, no service contract exists between the Bank and any Director which provides for a notice period from the Group of greater than one year. None of the Non-executive Directors has a contract of service with the Group.

It is Group practice that, following evaluation, all Court Directors, with the exception of Government nominated Directors, are subject to annual re-election by stockholders. All Directors retired at the Annual General Court held on 29 April 2015, with the exception of Tom Considine, who was nominated to the Court by the Minister for Finance. The requirement to stand for election and regular re-election is dispensed with for as long as a Director remains a Government nominated Director. In accordance with the Bye-Laws of the Bank, Directors nominated by the Minister for Finance may not serve as a Director of the Bank for a period of longer than nine years after their date of appointment.

The following Directors, being eligible, offered themselves for re-election and were re-elected at the Annual General Court in 2015: Kent Atkinson, Richie Boucher, Pat Butler, Patrick Haren, Archie G Kane, Andrew Keating, Patrick Kennedy, Davida Marston, Brad Martin and Patrick Mulvihill. Fiona Muldoon was appointed to the Court on 12 June 2015 and will offer herself for election at the forthcoming Annual General Court.

Remuneration
The Remuneration Report, incorporating the responsibilities of the Group Remuneration Committee, is set out on pages 148 to 156. The Group Remuneration Committee is chaired by the Senior Independent Director and its composition is compliant with the requirements of the Irish Code and the recommendations of the UK Code.

The Court of Directors (continued)

Deloitte are the current advisors to the Group Remuneration Committee. Deloitte did not provide any remuneration services during the financial period, Deloitte provided other services to the Group including regulatory, business controls and risk focused advisory services.

Directors' loans

The Companies Act, International Accounting Standard 24 - Related Party Disclosures (IAS 24) and a condition imposed on the Bank's licence by the Central Bank of Ireland in August 2009 require the disclosure in the Annual Report of information on transactions between the Bank and its Directors and their connected persons. The amount of outstanding loans to Directors (and relevant loans to connected persons) is set out on pages 262 to 267.

A condition imposed on the Bank's licence by the Central Bank of Ireland in May 2010 requires the Bank to maintain a register of loans to Directors and relevant loans to their connected persons, which is updated quarterly and is available for inspection by stockholders on request for a period of one week following quarterly updates. The Group's process for ensuring compliance with the Central Bank of Ireland's Code of Practice on Lending to Related Parties as amended ('Related Party Lending Code') has been in place since 1 January 2011 and is subject to regular review. A Related Party Lending Committee of the Court is in place which is authorised to review and approve lending to Related Parties as more particularly defined in the Related Party Lending Code.

Accountability and audit

The Report of the Directors, including a going concern statement and a viability statement, is set out on pages 135 to 136. This Corporate Governance Statement forms part of the Report of the Directors.

Internal controls

The Directors acknowledge their overall responsibility for the Group's systems of internal control and for reviewing their effectiveness. Such systems are designed to control, rather than eliminate, the risk of failure to achieve business objectives and can provide reasonable, but not absolute, assurance against material misstatement or loss. Such losses could arise because of the nature of the Group's business in undertaking a wide range of financial services that inherently involves varying degrees of risk.

The Group's overall control systems include:

- a clearly defined organisation structure with defined authority limits and reporting mechanisms to higher levels of management and to the Court, which support the maintenance of a strong control environment;
- a three lines of defence approach to the management of risk across the Group: line management in individual businesses and relevant Group functions; central risk management functions; and Group Internal Audit;
- Court and Management Committees with responsibility for core policy areas;
- a comprehensive set of policies and processes relating to key risks; business & strategic risk, credit risk, life insurance risk, liquidity risk, market risk, model risk, operational risk, pension risk, regulatory risk, and reputation risk (further details are given in the Risk Management Report on pages 60 to 121);
- monthly reporting by business units which enables progress against business objectives to be monitored, trends to be evaluated and variances to be acted upon by the Court and relevant subsidiary Boards;
- regular meetings, prior to each Court or relevant subsidiary Board, of the senior management teams, where the Executive Directors and other senior executives responsible for running the Group's businesses, amongst other matters, review performance and explore strategic and operational issues;
- reconciliation of data, consolidated into the Group's financial statements, to the underlying financial systems. A review of the consolidated data is undertaken by management to ensure that the financial position and results of the Group are appropriately reflected, through compliance with approved accounting policies and the appropriate accounting for non-routine transactions; and
- a Code of Conduct setting out the standards expected of all Directors, officers and employees. This covers arrangements, should the need arise, for the independent investigation and follow up of any concerns raised by staff regarding matters of financial and non-financial reporting.

The Group operates a comprehensive internal control framework over financial reporting with documented procedures and guidelines to support the preparation of the Consolidated financial statements. The main features are as follows:

- a comprehensive set of accounting policies relating to the preparation of the annual and interim financial statements in line with International Financial Reporting Standards as adopted by the European Union and as issued by the IASB;
- a Group Internal Audit function with responsibility for providing independent, reasonable assurance to key internal (Court, Group & Subsidiary Audit and Risk committees and Senior Management) and external (Regulators and External Auditors) stakeholders on the effectiveness of the Group's risk management and internal control framework;
- a compliance framework incorporating the design and testing of specific controls over key financial processes to confirm that the Group's key controls are appropriate to mitigate the financial reporting risks;
- a robust control process is followed as part of interim and annual financial statements preparation, involving the appropriate level of management review and attestation of the significant account line items, and where judgements and estimates are made they are independently reviewed to ensure that they are reasonable and appropriate. This ensures that the

The Court of Directors (continued)

consolidated financial information required for the interim and annual financial statements is presented fairly and disclosed appropriately;
- the Annual Report, and Interim Report are also subject to detailed review and approval through a structured governance process involving senior and executive finance personnel;
- summary and detailed papers are prepared for review and approval by the GAC covering all significant judgmental and technical accounting issues together with any significant presentation and disclosure matters; and
- user access to the financial reporting system is restricted to those individuals that require it for their assigned roles and responsibilities.

The Directors confirm that the Court, through its Committees, has reviewed the effectiveness of the Group's systems of internal control for the year ended 31 December 2015. This review involved consideration of the reports of the internal audit and the risk management functions, (including regulatory compliance and operational risk) and establishing that appropriate action is being taken by management to address issues highlighted. In addition, any reports of the External Auditors which contain details of any material control issues identified arising from their work are reviewed by the GAC, if they arise. After each meeting of the GAC, its Chairman reports to the Court on all significant issues considered by the Committee and the minutes of meetings are circulated to all members of the Court.

Following the year ended 31 December 2015, the Court reviewed the GAC's conclusions in relation to the Group's systems of internal control and the appropriateness of the structures in place to manage and monitor them. This process involved a confirmation that a system of internal control in accordance with the Financial Reporting Council Guidance on Internal Control was in place throughout the year and up to the date of the signing of these financial statements. It also involved an assessment of the ongoing process for the identification, evaluation and management of individual risks and of the roles of the various Committees and Group risk management functions and the extent to which various significant challenges facing the Group are understood and are being addressed. Further details of the risk management framework are included in the Risk Management Report on pages 68 to 73.

Group Code of Conduct and Speak Up Policy

The Group has a Code of Conduct in place which is applicable to all Employees and Directors of the Group. The Code of Conduct sets out the standards that are expected from all those who work for the Group and gives guidance on how these standards should be applied. Training on the Code of Conduct is mandatory across the Group.

The Group has a Speak Up policy in place for all staff, including Directors, which is in accordance with international practice. This policy is reviewed on an annual basis in line with the Group Code of Conduct. The Speak Up policy gives an assurance that it is safe and acceptable to raise a concern about malpractice, risk or potential wrongdoing and outlines how to speak up and raise a concern. The Court and Group Chief Executive are committed to this policy, which encourages staff to raise concerns openly and locally. Where this is not possible or the problem has not been resolved effectively at that level, there are clear alternative senior contacts within the Group to whom the concern may be addressed. If staff would prefer independent, confidential advice this is available from Public Concern at Work, an independent, not-for-profit organisation, through a free phone number and a dedicated email address. In the case of concerns regarding fraudulent financial reporting, fraudulent accounting or irregularities in audit work, these can be raised directly with the Chairman of the Group Audit Committee, an independent Non-executive Director, whose contact details are available from Public Concern at Work. With reference to the Protected Disclosures Act 2014, a review of the Group Speak Up policy was conducted to ensure that the standards set out in this Act are being met.

Group Audit Committee

At 31 December 2015, the Group Audit Committee (GAC) comprised five Non-executive Directors. The Court believes that the GAC as a whole has an appropriate mix of skills and relevant financial / banking experience. The Court believes that Kent Atkinson is independent and may be regarded as an Audit Committee financial expert. Biographical details, including each member's background and experience, are set out on pages 141 to 146.

One of the key responsibilities of the GAC is to assist the Court in monitoring the integrity of the financial statements and to recommend to the Court that it believes that the Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary for stockholders to assess the Group's position and performance, business model and strategy. To achieve this for the current reporting period, the GAC reviewed the Annual Report and considered whether the financial statements were consistent with the operating and financial reviews elsewhere in the Annual Report. The GAC also reviewed the governance and approval processes in place in the Group and also reviewed the GAC Report within the Corporate Governance Statement. These governance and approval processes include the completion by management of disclosure checklists to ensure all required disclosures from applicable company law, listing requirements and accounting standards are included and the draft Annual Report reviewed by the Disclosure Committee. In considering whether the Annual Report was fair, balanced and understandable, the GAC also considered the treatment and disclosure of key events as presented in the financial statements.

The GAC considered, inter alia the following key significant accounting issues

The Court of Directors (continued)

in its review of the financial statements for the year ended 31 December 2015. In addressing these issues, the GAC considered the appropriateness of management's judgements and estimates and, where appropriate, discussed those judgements and estimates with the External Auditor.

Loan impairment
The GAC considered the methodology for loan loss provisioning, including the specific trigger events which are considered as an indicator of impairment, as set out on pages 96 to 100 and an asset quality report from the CRC. The GAC also discussed and challenged management's assumptions used in determining the overall level of impairments recognised in the financial year and the total impairment allowance at the year end with management noting the requirements of IAS 39 in respect of the timing of recognition of impairments (the incurred loss methodology) and the requirements of the Central Bank of Ireland.

The GRPC approves the Group's provisioning methodology on a half yearly basis. The CRC, on an annual basis, provides observations on the Group's asset quality management and profile to the GAC as an input into the GAC's assessment of year end impairment provisions.

The GAC reviewed management papers and was satisfied that the level of loans classified as impaired at year end was consistent with the Group's methodology, and that the calculation and resulting provision recognised and disclosures were appropriate based on the requirements of IAS 39.

Deferred tax assets
The GAC considered the extent of deferred tax assets to be recognised in respect of unutilised tax losses, and in particular the projections for future taxable profits against which those losses may be utilised in the future. In order for the Group to recognise these assets it must have convincing evidence of sufficient future taxable profits against which the losses can be utilised.

The Group has prepared Base and Stress case financial projections which are being used to support the Group's 2016 Internal Capital Adequacy Assessment Process (ICAAP). The projections for future taxable profits incorporate economic factors (e.g. inflation, unemployment level, interest rates etc.) and expected performance targets from each division within the Group (e.g. expected new business, expected costs, loan losses etc.). As part of this process, the Group prepares detailed impairment projections, involving an extensive review of projection models for loan loss provisions and challenge of key assumptions and scenarios.

The ICAAP projections are prepared for the purpose of the Group's assessment of its capital adequacy. They are subjected to considerable internal governance at a divisional and Group level and are reviewed in detail and approved by executive management and the Court. Management's assessment of the projections determined that it was probable that there would be sufficient taxable profits in the future to recover the deferred tax asset arising from unused tax losses.

The GAC discussed with management its assessment of the recoverability of the deferred tax asset and the related disclosures. The GAC concluded that it was probable that there would be sufficient taxable profits in the future to recover the deferred tax asset arising from unused tax losses, and that the related disclosures were as required under IAS 12.

Going concern
The GAC considered management's assessment of the appropriateness of preparing the financial statements of the Group for the year ended 31 December 2015 on a going concern basis. In making this assessment, matters considered include the performance of the Group's business, profitability projections, funding and capital plans, under both base and plausible stress scenarios, together with a range of other factors such as the outlook for the Irish economy taking due account of the availability of collateral to access the Eurosystem, along with the ongoing developments in the eurozone. The considerations assessed by the GAC are set out in the Going Concern disclosure within the accounting policies in note 1 to the Consolidated financial statements.

On the basis of review performed and the discussions with management, the GAC was satisfied that there were no material uncertainties related to events or conditions that may cast significant doubt on the Group's and Bank's ability to continue as a going concern over the period of assessment. This assessment together with the Going Concern disclosure (as set out on page 177) was subsequently proposed to the Court of Directors for assessment and approval by the Directors.

Retirement benefit obligations
The GAC considered management's key assumptions and judgements used in determining the actuarial values of the liabilities of each of the Group's sponsored defined benefit pension schemes under IAS 19 (Revised). Management considered advice from independent actuaries, Willis Towers Watson, for the determination of significant actuarial assumptions including discount rates and inflation. The key assumptions proposed by management and considered by the GAC were assumptions relating to inflation rates, demographic assumptions and discount rates in Ireland and the UK which are used in determining liabilities at the balance sheet date.

The GAC was satisfied that the inflation rates, discount rates and other significant assumptions are consistently applied and that the accounting for the Group's sponsored defined benefit pension schemes and related disclosures were in accordance with IAS 19 (Revised).

Further detail on the inflation rates, discount rates and other significant assumptions related to Retirement benefit

The Court of Directors (continued)

obligations are set out in note 42 to the Consolidated financial statements.

Life assurance operations
The GAC considered management's key assumptions and judgements used in determining the value of in-force business and insurance contract liabilities. The key assumptions in projecting future surpluses and other net cash flows attributable to the shareholder arising from business written were the risk discount rate, unit growth rate, realistic interest rate, lapse rates, mortality, morbidity and expenses.

The GAC was satisfied that the significant assumptions are consistently applied and that the accounting for the Group's value of in-force business and insurance contract liabilities is appropriate.

Further information on these significant items is set out in the Critical Accounting Estimates and Judgements in note 2 to the Consolidated financial statements.

In close liaison with the Court Risk Committee, the GAC is responsible for the appropriateness and completeness of the system of internal control. It reviews the manner and framework in which management ensures and monitors the adequacy of the nature, extent and effectiveness of internal control systems, including accounting control systems, and thereby maintains an effective system of internal control.

In addition the GAC has responsibility for:
- assisting the Court in meeting obligations under relevant Stock Exchange listing rules and other applicable laws and regulations;
- monitoring and reviewing the effectiveness of the Group's Internal Audit function and its operations; and
- discharging the statutory responsibility of the Bank under relevant statutes or regulations.

The GAC is also responsible for overseeing all matters relating to the relationship between the Group and its External Auditor, including the external audit plan, terms of engagement, audit and non-audit fee budgets, interim findings and audit finding reports. The GAC also meets annually with the External Auditors without management present.

PricewaterhouseCoopers (PwC) have acted as sole auditors to the Group since 1990. The External Auditors are required to rotate the audit engagement partner every five years and this process occurred in 2015. The Group is committed to ensuring the independence and objectivity of the External Auditor and on an annual basis the GAC formally reviews the effectiveness, independence and performance of the External Auditor. This process is supported by tailored questionnaires completed by GAC members and relevant senior management personnel. The responses received in 2015 were collated and presented to the GAC for discussion. No issues were identified as a result of the review process conducted and the GAC's own interactions with the External Auditors. The GAC concluded that they remain satisfied with the performance of PwC as External Auditor.

As an additional check on independence, the GAC has developed and implemented a Group Policy on the Provision of Non-Audit Services by the Group's Statutory Auditor. The Group policy ensures, among other things, that auditor objectivity and independence are not compromised. Under this policy, a key procedural control requires that any engagement of the External Auditors to provide non-audit services must be pre-approved by the GAC. Further details of non-audit services provided during the year are set out in note 14 to the financial statements 'Auditors' remuneration'. The GAC monitors compliance with the Group policy on the provision of non-audit services and receives reports on the performance of such services. During 2015 the GAC considered the changing EU regulatory framework in respect of the provision of non-audit services by the statutory auditor. Compliance with the transitional timeline in respect of relevant changes will continue to be monitored by the GAC.

On 16 June 2014, the European parliament and council passed into law a new Audit Directive and Regulation ('Directive') which updated the EU regulatory framework on statutory audits. Member states will have two years to implement legislation to transpose, adopt and publish the provisions to comply with the directive. Accordingly, such legislation will apply to the year ended 31 December 2017, being the first financial year starting on or after 16 June 2016. The legislation covers mandatory audit firm rotation, additional restrictions on the provision of non-audit services, requirements relating to audit committee oversight of the performance of the audit, and new requirements regarding reporting by the Auditor. There are a number of options which Member States can choose to adopt. It is unclear what options will be adopted when local legislation is enacted in Ireland.

In accordance with the transitional provisions under the new EU Framework, the Group must change external audit firm no later than 2020. The EU Framework supplements the UK Code which recommends the tendering of the external audit contract at least every ten years. During 2014, the GAC considered the impact of the EU Framework and the recommendation of the UK code and being conscious of the need to facilitate a smooth transition, and to ensure the continuing quality and effectiveness of the external audit service, it is the current intention of the Group to conduct an Audit tender in 2017. This tender will be in respect of appointment to the role of Group Auditor for the year ended 31 December 2018.

The GAC met nine times in 2015 and matters considered included:
- year end, interim, and 2014 Form 20-F reporting, including the significant accounting issues;
- the Group's Pillar III Disclosure Policy and disclosures;

The Court of Directors (continued)

- the governance and approval arrangements underlying the fair, balanced and understandable assessment;
- a review of the Group Accounting Policies and Group Impairment Policy;
- approval of the Internal Audit plan and budget for 2016;
- Group Internal Audit reports and findings;
- annual review of Group Internal Audit terms of reference and an external effectiveness review of Group Internal Audit and its programme of actions;
- the External Auditor's audit plan, report and external audit findings;
- the External Auditor's effectiveness, partner rotation, independence, audit fee and non-audit fee approval;
- updates on International Financial Reporting Standards, Companies Act 2014 and the UK Corporate Governance Code;
- reports from Group Regulatory Compliance and Operational Risk;
- the effectiveness of internal control over financial reporting and IT Risk assessment;
- the Group Anti-Fraud programme;
- reports from the Group Investment Committee regarding Post Implementation Reviews for individual capital expenditure programmes greater than €20 million; and
- annual Group Audit Committee evaluation process.

The GAC was provided with a technical training session on accounting updates during the year. The GAC also meets at least annually with the Group Chief Internal Auditor and with the PwC Group Audit Partner without any other management present and with senior management.

Court Risk Committee
The Court Risk Committee (CRC) is established to monitor risk governance and to assist the Court in discharging its responsibilities in ensuring that risks are properly identified, reported, and assessed; that risks are properly controlled; and that strategy is informed by and aligned with the Group's risk appetite.

As at 31 December 2015, the CRC comprised seven Non-executive Directors. Biographical details, including each member's background and experience, are set out on pages 141 to 146. To ensure co-ordination with the work of the GAC, the Chairman of the GAC is a member of the CRC and the Chairman of the CRC is a member of the GAC. At least one member of the CRC is also a member of the Group Remuneration Committee to ensure remuneration decisions are informed from a risk perspective. Fiona Muldoon was appointed to the CRC on 27 November 2015.

The CRC makes recommendations to the Court on risk issues where the Court has reserved authority, maintains oversight of the Group's risk profile, including adherence to Group risk principles, policies and standards, and approves material risk policies within delegated discretion. Further information on the risk management framework of the Group, the risk governance of the Group and the role of the CRC is set out in the Risk Management Report on pages 68 to 71.

The CRC also provides advice to the Group Remuneration Committee to inform remuneration decisions from a risk perspective, monitors the risk elements of any due diligence appraisal of any acquisition or divestment activity reserved for Court decision, as required, and considers the findings of Group Internal Audit and Group Credit Review in respect of risk management.

The CRC met ten times in 2015. In addition to the quarterly Court Risk Reports, Risk Appetite Statement, Group Risk Framework and Group Liquidity Stress Testing Results, the CRC also considered, amongst other matters:

- the Group ICAAP Report and supporting documents;
- Funding and Liquidity Policy;
- management's assessment of risk in the Group, including management's view on the likelihood of occurrence and the mitigants available;
- the Group's asset quality. The observations of this asset quality review were brought to the attention of the GAC in the context of its assessment of impairment provisions;
- the Group Credit Policy;
- the Group Country Risk Policy and limits;
- Group Market Risk Policy;
- Group Operational Risk Policy;
- Group Policy on Derivatives;
- Commercial Property Valuation Policy;
- the review and challenge process, through which the CRC satisfied itself that appropriate processes and monitoring policies are in place to meet the requirements of the Risk Appetite Statement;
- Group VaR limit;
- a review and challenge process in respect of Bank and Sovereign debt;
- outcomes of regulatory reviews including Risk Mitigation Plans;
- the Group Recovery Plan;
- IT risk and cybercrime;
- Anti-Money Laundering, Countering the Financing of Terrorism and Financial Sanctions;
- review quality of external risk disclosures;
- upstream risk register;
- Group Risk Policy Committee effectiveness review;
- conduct risk; and
- minutes of risk committee meetings of material subsidiaries.

The Group Risk Policy Committee (GRPC) is the most senior management risk committee and reports to the CRC. During 2015 the CRC reviewed the terms of reference of the GRPC and considered the findings of the GRPC annual review of effectiveness of its operations. On an ongoing basis the CRC reviews decisions of the GRPC through its minutes as presented to the CRC and receives reports from the committee chairman. Further details on the role of GRPC in the risk governance of the Group are set out in the Risk Management Report on pages 70 to 71.

Relations with Stockholders
Communication with stockholders is given high priority. One of the responsibilities of the Governor is to ensure effective

The Court of Directors (continued)

communication with stockholders and to ensure that Directors develop an understanding of the views of major investors. The Group seeks to provide through its Annual Report a fair, balanced and understandable assessment of the Group's performance and prospects. The Group uses its website (www.bankofireland.com) to provide stockholders and potential investors with recent and relevant financial information including annual and interim reports. Copies of presentations to analysts and investors are also made available on the Group website, so that information is available to all stockholders. Annual and interim results presentations are webcast live so that all stockholders can receive the same information at the same time.

The Investor Relations section on the Group's website is updated with presentations and all stock exchange releases as they are made. It also contains dedicated investor relations contact details. The Group has an active and well developed Investor Relations programme, which involves regular meetings by Executive Directors, selected senior executives and the Director of Group Investor Relations and other authorised speakers with the Group's principal institutional stockholders, other investors, financial analysts and brokers. All meetings with stockholders are conducted in such a way as to ensure that price sensitive information is not divulged. A dedicated Debt Investor section of the Group website provides access to relevant information, including presentations, publications, bond tables and suitable treasury, capital and debt contacts within the Group.

Directors receive an investor relations update from management at all scheduled Court meetings. The content of this update is varied, based on recent investor activities, but typically includes market updates, details of recent equity and debt investor interactions, share price and valuation analysis, analyst updates, and share register analysis. All Directors are encouraged and facilitated to hear the views of investors and analysts at first hand. The Governor met with a number of major stockholders to discuss governance and remuneration matters in 2015 and the Court was updated on the outcome of these discussions. The Governor and / or the Senior Independent Director are available to all stockholders if they have concerns that cannot be resolved through the normal channels.

Annual General Court

The aim of the Court is to make constructive use of the Annual General Court (AGC) and all stockholders are encouraged to participate. Questions are invited from stockholders in advance of the AGC, and a dedicated email address is provided for this purpose. A substantial part of the agenda of the AGC is dedicated to responding to stockholder questions. A 'Help Desk' facility is provided by the Group's registrar to assist stockholders to resolve any specific queries that they may have in relation to their stockholding. The AGC was held on 29 April 2015 in the O'Reilly Hall, UCD, Belfield, Dublin 4 ('2015 AGC'). In line with the Group's policy to issue notice of the Annual General Court at least 20 working days before the meeting, notice of the 2015 AGC was circulated to stockholders on 18 March 2015. The Governor (who is also Chairman of the Group Nomination and Governance Committee) and the Chairmen of the Group Audit Committee, Court Risk Committee and Group Remuneration Committee were in attendance to hear the views of stockholders and answer questions. It is usual for all Directors on the Court at the time of the AGC to attend and all members of the Court attended the 2015 AGC.

At the 2015 AGC separate resolutions were proposed on each substantially separate issue and voting was conducted by way of poll. The results of every general court of the Bank, including details of votes cast for, against and withheld on each resolution, are posted on the Group's website and released to the Irish and London Stock Exchanges. As soon as the results of the 2015 AGC were calculated and verified, these were released to applicable exchanges, as set out above, and were made available on the Group's website.

The AGC of the Bank in 2016 is scheduled to be held on Thursday 28 April 2016. Shareholders who will be unable to attend on this date are encouraged to submit queries and vote in advance to ensure continued participation.

New York Stock Exchange (NYSE)

On 21 January 2015, the Bank announced that the Court had resolved to voluntarily delist its American Depositary Shares from the New York Stock Exchange and to terminate its sponsored ADR programme. The Bank noted at that time that the delisting of the ADRs from the NYSE and termination of the ADR programme were consistent with the Group's investor relations strategy. Trading in Ireland and the United Kingdom accounted for the majority of the trading in the Group's shares in 2014. In contrast, ADRs accounted for c.7.5% of worldwide trading in Bank of Ireland's shares and ADRs. Accordingly, the Group concluded that the benefits of reduced administrative complexity exceed those of continuing the programme. The last day of trading on the New York Stock Exchange was 13 February 2015 and the sponsored ADR programme terminated on 22 April 2015. In the 11 months since 1 March 2015, US trading accounted for less than 5% of worldwide trading in Bank of Ireland's shares and ADRs. The Group intends to file a Form 15F with the US Securities and Exchange Commission to deregister and terminate its reporting obligations under Section 13(a) and 15(d) of the US Securities Exchange Act of 1934, once the necessary conditions are met.

Attendance at scheduled and unscheduled meetings of the Court and its Committees during the year ended 31 December 2015

Name	Court Scheduled		Court Unscheduled		Group Audit Committee Scheduled		Group Audit Committee Unscheduled		Group Nomination and Governance Committee Scheduled		Group Nomination and Governance Committee Unscheduled		Group Remuneration Committee Scheduled		Group Remuneration Committee Unscheduled		Court Risk Committee Scheduled		Court Risk Committee Unscheduled	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Kent Atkinson	11	11	1	1	8	8	1	1	-	-	-	-	-	-	-	-	8	8	2	2
Richie Boucher	11	11	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pat Butler	11	10	1	1	-	-	-	-	5	5	1	1	5	5	1	1	8	8	2	1
Tom Considine	11	11	1	1	8	8	1	1	-	-	-	-	-	-	-	-	8	8	2	2
Patrick Haren *(Appointed to the Group Nomination and Governance Committee on 27 November 2015.*	11	10	1	1	8	8	1	1	-	-	-	-	5	5	1	1	-	-	-	-
Archie G Kane	11	11	1	1	-	-	-	-	5	5	1	1	5	5	1	1	-	-	-	-
Andrew Keating	11	11	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Patrick Kennedy	11	11	1	1	-	-	-	-	5	5	1	1	5	5	1	1	8	8	2	2
Davida Marston	11	11	1	1	8	7	1	1	-	-	-	-	-	-	-	-	8	8	2	2
Bradley Martin *(Appointed to the Group Remuneration Committee on 27 November 2015.*	11	11	1	0	-	-	-	-	-	-	-	-	-	-	1	0	-	-	-	-
Fiona Muldoon *(Appointed to the Court 12 June 2015 Appointed to the Court Risk Committee on 27 November 2015)*	6	6	0	0	-	-	-	-	-	-	-	-	-	-	-	-	1	1	0	0
Patrick Mulvihill	11	11	1	1	8	8	1	1	-	-	-	-	-	-	-	-	8	8	2	2
Patrick O'Sullivan *(Resigned 29 April 2015)*	4	4	0	0	3	3	0	0	2	2	0	0	-	-	-	-	-	-	-	-

Column A Indicates the number of meetings held during the period the Director was a member of the Court and / or the Committee and was eligible to attend.
Column B Indicates the number of meetings attended.

Report of the Directors

Results
For the year ended 31 December 2015 the Group made a profit before tax of €1,232 million and an after tax profit of €947 million. A profit of €7 million is attributable to non-controlling interests, and a €940 million profit is attributable to ordinary stockholders.

Dividends
No dividend on ordinary stock will be paid in respect of the year ended 31 December 2015. See distribution policy on page 18 of the Strategic report.

Group activities
The Group provides a range of banking and other financial services. The Chairman's Review, Group Chief Executive's Review and the Operating and Financial Review (pages 4 to 59) contain a review of the results and operations of the Group, of most recent events, and of likely future developments.

In relation to the Group's business, no contracts of significance to the Group within the meaning of LR 6.8.1(9) of the Irish Stock Exchange (ISE) Listing Rules existed at any time during the year ended 31 December 2015.

Principal Risks and Uncertainties
Information concerning the Principal Risks and Uncertainties facing the Group is set out on pages 61 to 67 in the Risk Management Report.

Capital stock
As at 31 December 2015, the Group has 32,385,283,763 units of ordinary stock of €0.05 each of which 39,584,052 units were held in treasury stock.

Takeover Bids Regulations
The disclosures required by the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006 are set out in the Schedule to the Report of the Directors on pages 137 to 140.

Directors
The names of the members of the Court of Directors together with a short biographical note on each Director appear on pages 141 to 146.

At the Annual General Court (AGC) held on 29 April 2015, all Directors (with the exception of Tom Considine) retired and all except Patrick O'Sullivan and Tom Considine stood for re-election. Kent Atkinson, Richie Boucher, Pat Butler, Patrick Haren, Archie G Kane, Andrew Keating, Patrick Kennedy, Brad Martin, Davida Marston and Patrick Mulvihill were re-elected.

Patrick O'Sullivan retired from the Court on 29 April 2015, and Fiona Muldoon was appointed on 12 June 2015.

Remuneration
See Remuneration Report on pages 148 to 156.

Directors' and Secretary's interests
The interests of the Directors and Secretary in office at 31 December 2015 in the stock issued by the Bank as disclosed to the Bank are shown in the Remuneration Report on page 156.

Substantial stockholdings
There were 105,358 registered holders of the ordinary stock of the Bank at 31 December 2015. An analysis of these holdings is shown on page 416. In accordance with LR 6.8.3(2) of the ISE Listing Rules, details of notifications received by the Bank in respect of substantial interests in its ordinary stock are provided in the table below as at 31 December 2015 and 15 February 2016. Details of notifications of substantial interests in ordinary stock received by the Bank during the period from 31 December 2015 to 15 February 2016 are provided in the notes accompanying this table.

	31 December 2015 %	15 February 2016 %
Ireland Strategic Investment Fund (ISIF) / Minister for Finance	13.95	13.95
Blackrock, Inc.[1]	8.31	7.99
The Capital Group Companies, Inc.	6.04	6.04
EuroPacific Growth Fund[2]	*4.07*	*4.07*
FMR LLC	6.98	6.98
Baillie Gifford & Co	5.00	5.00

[1] *On 21 January 2016, 22 January 2016, 8 February 2016 and 10 February 2016, the Bank received notifications from Blackrock Inc., confirming changes in their interest in voting rights, the notification on the 10 February 2016 confirmed their interest in voting rights was 7.99%.*
[2] *EuroPacific Growth Fund has granted proxy voting authority to The Capital Research and Management Company, its investment adviser, and consequently holds no voting rights. Notifications submitted in respect of the voting rights held by The Capital Group Companies, Inc. include EuroPacific Growth Fund's holdings.*

Listing Rules Disclosures
Information required under UK Listing Rule LR9.8.4C can be found on page 151 for Directors' Emoluments and above under 'Group activities' for Contracts of Significance.

Corporate Governance
Statements by the Directors in relation to the Group's compliance with the Central Bank of Ireland's Corporate Governance Code for Credit Institutions and Insurance Undertakings 2013 (the 'Irish Code'), including the additional requirements of Appendix 1 and Appendix 2 of the Irish Code for High Impact Designated Institutions, and Credit Institutions which are deemed 'Significant' Institutions (for the purposes of the Capital Requirements Directive (CRD IV)), respectively, the UK Corporate Governance Code 2014 and the Irish Corporate Governance Annex of the Irish Stock Exchange are set out in the Corporate Governance Statement on pages 122 to 134 . The Irish Code was split and renamed on the 15 December 2015 to provide for requirements for

Credit Institutions and Insurance Undertakings separately. The Corporate Governance Requirements for Credit Institutions 2015 apply to Credit Institutions with effect from 11 January 2016. The Corporate Governance Statement forms part of the Report of the Directors.

Environment

The Group's environmental policy is accessible at www.bankofireland.com and details of its environmental activities are outlined in the Group's 'Responsible Business Report' which is available on the Group's website.

Political donations

Political donations are required to be disclosed under the Electoral Acts 1992 to 2012. The Directors, on enquiry, have satisfied themselves that there were no political donations made during the year ended 31 December 2015.

Branches outside the State

The Bank has established branches in the UK, France, Germany and the US.

Going concern

The Directors have considered the appropriateness of the going concern basis in preparing the financial statements for the year ended 31 December 2015 on page 177 which forms part of the Report of the Directors and on page 130 in the Corporate Governance Statement.

Viability statement

In accordance with the requirements of the 2014 revision of the UK Corporate Governance Code, the Directors have assessed the viability of the Group, taking account of the Group's current position and the potential impact of the principal risks facing the Group.

The Directors have selected a three-year period for this assessment, reflecting the time horizon that they consider fits with the various risk and planning frameworks considered in arriving at the viability statement.

The Directors have assessed the prospects of the Group through a number of frameworks, including the Internal Capital Adequacy Assessment Process (ICAAP), the Internal Liquidity Adequacy Assessment Process (ILAAP), the monitoring of key risks identified under the Group's risk identification process by the GPRC, the CRC and the Court (see page 72 of the Risk Management Report), and the assessment of Principal Risks and Uncertainties (see pages 61 to 67). Within those Principal Risks and Uncertainties, the Directors consider Credit risk, Liquidity risk and Capital adequacy to be the most relevant to the viability assessment.

The ICAAP process facilitates the Court and senior management in adequately identifying, measuring and monitoring the Group's risks and ensures that the Group holds adequate capital to support its risk profile. ICAAP is subject to review by the Group's prudential regulator, the ECB SSM. Underpinning the ICAAP process, the Group prepares detailed financial projections under both a base case and a stress case. Base case projections are prepared using consensus macroeconomic forecasts together with Group-specific assumptions, and the stress case is prepared based on a severe but plausible stress economic scenario. The 2015 ICAAP process demonstrated that the Group had sufficient capital under both the base and stress case scenarios to support its business and achieve its objectives having regard to Board approved Risk Appetite and Strategy, and to meet its CRD IV regulatory capital, leverage and liquidity requirements.

The Group's ILAAP analysis demonstrated that the volume and capacity of liquidity resources available to the Group are adequate to support its business model, to achieve its strategic objectives under both business as usual and severe but plausible stress scenarios and to meet regulatory requirements including the Liquidity Coverage and Net Stable Funding Ratios.

The Directors confirm that their assessment of the principal risks facing the Group, through the processes set out above, was robust. Based upon this assessment, and their assessment of the Group's prospects, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to December 2018.

Accounting records

The Directors ensure that adequate accounting records are kept at the Bank's registered office, through the appointment of suitably qualified competent personnel, the implementation of appropriate computerised systems and the use of financial and other controls over the systems and the data.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office in accordance with Section 383(2) of the Companies Act 2014.

Post balance sheet events

These are described in note 59 to the financial statements.

Archie G Kane
Governor

Patrick Kennedy
Deputy Governor

Bank of Ireland
Registered Office
40 Mespil Road,
Dublin 4

19 February 2016

Schedule to the Report of the Directors

Information required under the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006.

As required by these Regulations, the information contained below represents the position at 31 December 2015.

1. Structure of the Bank's capital

The capital of the Bank is divided into ordinary stock, non-cumulative dollar preference stock, non-cumulative sterling preference stock, non-cumulative euro preference stock (which includes the 2009 Preference Stock) undesignated dollar, euro and sterling preference stock, collectively '2005 preference stock' and deferred stock.

At 31 December 2015, there was no non-cumulative dollar preference stock in issue. At 31 December 2015, there were in issue 1,876,090 units of non-cumulative sterling preference stock and 3,026,598 units of non-cumulative euro preference stock. As at 31 December 2015, there was no unit of 2005 preference stock in issue. As at 31 December 2015, there were 1,300,000,000 units of 2009 Preference Stock in issue. The 2009 Preference Stock was redeemed on 4 January 2016 as set out in the paragraph headed '2009 Preference Stock' on page 138. As at 31 December 2015, there were 91,980,594,628 units of deferred stock.

Further detail on the structure of the Bank's capital is set out in note 45 to the Consolidated financial statements.

(i) Rights and Obligations attaching to the classes of stock

Ordinary stock

Dividend rights
Under Irish law and under the Bye-Laws of the Bank, dividends are payable on the ordinary stock of the Bank only out of profits available for distribution. Holders of the ordinary stock of the Bank are entitled to receive such dividends as may be declared by the stockholders in General Court, provided that the dividend cannot exceed the amount recommended by the Directors. The Bank may pay stockholders such interim dividends as appear to the Directors to be justified by the profits of the Bank. No dividend on the ordinary stock may be declared unless the dividend on the dollar preference stock, the sterling preference stock, the euro preference stock (including the 2009 Preference Stock) and the 2005 Preference Stock most recently payable prior to the relevant General Court shall have been paid in cash. Any dividend which has remained unclaimed for twelve years from the date of its declaration may be forfeited and cease to remain owing by the Bank.

Voting rights
Voting at any General Court is by a show of hands or by poll. On a show of hands, every stockholder who is present in person or by proxy has one vote regardless of the number of units of stock held by him or her. On a poll, every stockholder who is present in person or by proxy has one vote for every unit of ordinary stock of €0.05 each.

A poll may be demanded by the Chairman of the meeting or by at least nine members of the Bank present in person or by proxy and entitled to vote on a poll. The necessary quorum for a General Court is ten persons present in person or by proxy and entitled to vote. All business is considered to be special business if it is transacted at an Extraordinary General Court as is all business transacted at an Annual General Court other than the declaration of a dividend, the consideration of the financial statements, the balance sheet and reports of the Directors and Auditors, the election of Directors in the place of those retiring, the reappointment of the retiring Auditors, and the determination of the remuneration of the Auditors, all of which is deemed ordinary business. Special business is dealt with by way of an ordinary resolution save where a special resolution is expressly required by the Bye-Laws or the Companies Act 2014 in so far as it applies to the Bank from time to time (the 'Companies Act'). A special resolution must be passed by not less than three fourths of the votes cast by such members as being entitled so to do, vote in person or, where proxies are allowed, by proxy at a General Court at which not less than twenty one days' notice specifying the intention to propose a resolution as a special resolution has been duly given.

Ordinary business is dealt with by way of an ordinary resolution which requires a simple majority of the votes cast by the members voting in person or by proxy at a General Court. Where an equal number of votes have been cast on any resolution the Chairman of the meeting is entitled to a second or casting vote. An Extraordinary General Court (other than an Extraordinary General Court called for the passing of a special resolution) may be called on fourteen days' notice in writing, at least, where: (i) the Bank offers the facility for stockholders to vote by electronic means accessible to all stockholders; and (ii) a special resolution reducing the period of notice to fourteen days has been passed at the immediately preceding Annual General Court or at an Extraordinary General Court held since the immediately preceding Annual General Court.

Liquidation rights
In the event of any surplus arising on the occasion of the liquidation of the Bank, the ordinary stockholders would be entitled to a share in that surplus pro rata to their holdings of ordinary stock.

Renominalisation of ordinary stock - deferred stock
The Bank's ordinary stock was renominalised by Stockholders to €0.05 at the Extraordinary General Court held on 11 July 2011. Refer to note 45 for further information on the deferred stock created on the renominalisation.

The deferred stock created on the renominalisation has no voting or dividend rights and, on a return of capital on a winding up of the Bank, will have the right to receive the amount paid up thereon only after stockholders have received, in aggregate, any amounts paid up thereon plus €10 million per unit of €0.05 ordinary stock, the purpose of which is to ensure that the units of deferred stock have no economic value.

The deferred stock is not transferable at any time, other than with the prior written consent of the Directors. At the appropriate time, the Bank may redeem or repurchase the deferred stock, make an application to the High Court of Ireland for the deferred stock to be cancelled, or acquire or cancel or seek the surrender of the deferred stock (in each case for no consideration) using such other lawful means as the Directors may determine.

Preference stock

Any non-cumulative dollar preference stock issued will rank equivalently to the existing euro or sterling preference stock as regards entitlements to dividends.

The holders of non-cumulative sterling and euro preference stock are entitled to a fixed annual dividend, at the discretion of the Bank, in accordance with the terms and conditions relating to the issue of the particular class of preference stock. Any dividend which has remained unclaimed for twelve years from the date of its declaration may be forfeited and cease to remain owing by the Bank.

The non-cumulative sterling preference stock and the non-cumulative euro preference stock rank pari passu inter se and the right to a fixed dividend is in priority to the dividend rights of ordinary stock in the capital of the Bank. On a winding-up or other return of capital by the Bank, the non-cumulative sterling preference stockholders and the non-cumulative euro preference stockholders are entitled to receive, out of the surplus assets available for distribution to the Bank's members, an amount equal to the amount paid up on their preference stock including any preference dividend outstanding at the date of the commencement of the winding-up or other return of capital. Otherwise the preference stockholders are not entitled to any further or other right of participation in the assets of the Bank.

Bye-Law 7 enables the Directors to issue and allot new preference stock (2005 preference stock) which can be either redeemable or nonredeemable, and can be denominated in dollars, in euro or in sterling. Unless otherwise determined by the Directors prior to their allotment, any preference stock issued under Bye-Law 7 will rank equivalently to the existing euro and sterling preference stock as regards entitlements to dividends. Bye-Law 7 permits the substitution of all of the outstanding preferred securities in the event of the occurrence of a trigger event. A trigger event will occur when the capital adequacy requirements of the Central Bank of Ireland have been, or are expected to be, breached.

2009 Preference Stock

The Bank on 23 November 2015 following approval by the European Central Bank, as competent authority, under Article 78 of the Capital Requirements Regulations, issued a notice of redemption in respect of the 2009 Preference Stock designating 4 January 2016 as the redemption date. The 2009 Preference Stock was derecognised and excluded from Common equity tier 1 regulatory capital with effect from 23 November 2015 and were redeemed, at the earliest possible date, on 4 January 2016. The 2009 Preference Stock was originally issued on 31 March 2009 to the Irish State. In December 2013, the Bank facilitated the sale by the Irish State of the 2009 Preference Stock to a special purchase company, Baggot Securities Limited (Baggot), which funded the purchase using the proceeds of the issuance of bonds to private investors. Baggot irrevocably waived in favour of the Bank its right to receive any redemption monies in respect of the 2009 Preference Stock in excess of €1.00 per unit.

On a winding up or other return of capital of the Bank, the repayment of paid up capital (inclusive of premium) on the 2009 Preference Stock ranked pari passu with repayment of paid up nominal value (excluding premium) of the ordinary stock. The 2009 Preference Stock ranked ahead of the Ordinary Stock as regards dividends and as regards the repayment of premium on Ordinary Stock on a winding up or other return of capital of the Bank and pari passu as regards dividends with other stock or securities constituting Core tier 1 capital of the Bank (other than Ordinary Stock and other than dividends to minority interests). The 2009 Preference Stock entitled the holders thereof to receive a non-cumulative cash dividend at a fixed rate of 10.25% per annum, payable annually in arrears on 20 February at the discretion of the Bank.

If a cash dividend was not paid by the Bank, the Bank was required to issue units of Ordinary Stock to the holders of the 2009 Preference Stock to be settled on a day determined by the Bank, in its sole discretion, provided that this was required to occur no later than the day on which the Bank subsequently redeemed or repurchased or paid a dividend on the 2009 Preference Stock or any class of capital stock. In such circumstances the Bank was precluded from paying dividends on Ordinary Stock until payment of dividends in cash on 2009 Preference Stock resumed. The Bank was also precluded from paying any dividend on ordinary stock where the payment of such a dividend would have reduced the distributable reserves of the Bank to such an extent that the Bank would have been unable to pay the next dividend due for payment on the 2009 Preference Stock.

(ii) 2011 agreements

On 17 October 2011, the NPRFC sold a portion of its holding in the Bank to a group of significant institutional investors and fund managers ('Investors'), thereby reducing its holding in the ordinary stock of the Bank from 36% to 15.13% on that date. The NPRFC's remaining holding was transferred by operation of law pursuant to the National Treasury Management Agency (Amendment) Act 2014 (the '2014 Act') to a new fund created pursuant to the 2014 Act, the Ireland Strategic Investment Fund, on 22 December 2014.

In a Deed of Undertaking executed contemporaneously with that sale the Bank agreed, inter alia, that it would issue relevant securities only on a pre-emptive basis up to 29 July 2016, subject to certain specified exceptions, including any issue pursuant to existing or future authorities granted by Stockholders at an annual general court or an extraordinary general court to permit the Bank to issue relevant securities on a non pre-emptive basis.

The Bank has in a separate agreement also agreed to file at the request of the Investors one or more registration statements under the U.S. Securities Act to facilitate resale of their ordinary stock by the Investors under the U.S. Securities Act subject to customary exceptions and procedures.

(iii) Variation of class rights
The rights attached to the ordinary stock of the Bank may be varied or abrogated, either while the Bank is a going concern or during or in contemplation of a winding up, with the sanction of a resolution passed at a class meeting of the holders of the ordinary stock. Similarly, the rights, privileges, limitations or restrictions attached to the 2009 Preference Stock may be varied, altered or abrogated, either while the Bank is a going concern or during or in contemplation of a winding up, with the written consent of the holders of not less than 75% of such class of stock or with the sanction of a resolution passed at a class meeting at which the holders of 75% in nominal value of those in attendance vote in favour of the resolution.

(iv) Percentage of the Bank's capital represented by class of stock
The ordinary stock represents 62% of the authorised capital stock and 63% of the issued capital stock. The preference stock represents 7% of the authorised capital stock and 0.8% of the issued capital stock, of which the 2009 Preference Stock represents 0.5% and 0.5% respectively. The deferred stock represents 31% of the authorised capital stock and 36% of the issued capital stock.

2. Restrictions on the transfer of stock in the Bank

There are no restrictions imposed by the Bank on the transfer of stock (other than the deferred stock, the transfer of which requires the prior written consent of the Directors), nor are there any requirements to obtain the approval of the Bank or other stockholders for a transfer of stock, save in certain limited circumstances set out in the Bye-Laws. A copy of the Bye-Laws may be found on www.bankofireland.com or may be had on request from the Group Secretary.

3. Persons with a significant direct or indirect holding of stock in the Bank.

Details of significant stockholdings may be found on page 135.

4. Special rights with regard to the control of the Bank

There are no special rights with regard to control of the Bank.

5. Stock relating to an employee share scheme that carry rights with regards to the control of the Bank that are not directly exercisable directly by employees.

Details of shares relating to employees may be found in capital stock note 45.

6. Restrictions on voting rights

There are no unusual restrictions on voting rights.

7. Agreements between stockholders that are known to the Bank and may result in restrictions on the transfer of securities or voting rights.

There are no arrangements between stockholders, known to the Bank, which may result in restrictions on the transfer of securities or voting rights.

8. Rules of the Bank concerning the:

(a) appointment and replacement of Directors
With the exception of Tom Considine, who was nominated by the Minister for Finance, all Directors nominated between Annual General Courts are submitted to stockholders for election at the first Annual General Court following their co-option. In accordance with the UK Corporate Governance Code (adopted by the Irish Stock Exchange and the London Stock Exchange) all Directors other than those nominated by the Minister for Finance, retire by rotation every year and, if eligible, may offer themselves for re-election, subject to satisfactory performance evaluation. Directors nominated by the Minister for Finance are not subject to retirement by rotation but may not serve as a Director of the Bank for a period longer than nine years after the date of his or her appointment. In proposing the election or re-election of any individual Director to the Annual General Court, the reasons why the Court believes that the individual should be elected or re-elected are provided in the Governor's Letter to stockholders.

(b) amendment of the Bank's Bye-Laws
The Bank's Bye-Laws may be amended by special resolution passed at an Annual General Court or Extraordinary General Court. An Annual General Court and a Court called for the passing of a special resolution shall be called on twenty one days' notice in writing at the least. Special resolutions must be approved by not less than 75% of the votes cast by stockholders entitled to vote in person or by proxy. No business may be transacted at any General Court unless a quorum of members is present at the time when the Court proceeds to business. Ten persons present in person or by proxy and entitled to vote shall constitute a quorum.

9. Powers of the Bank's Directors, including powers in relation to issuing or buying back by the Bank of its stock

Under its Bye-Laws, the business of the Bank is managed by the Directors, who exercise all powers of the Bank as are not, by the Charter, the Bank of Ireland Act 1929 (as amended) or the Bye-Laws, required to be exercised by the Bank in General Court. The Directors may exercise all the borrowing powers of the Bank and may give security in connection therewith.

These borrowing powers may be amended or restricted only by the stockholders in General Court. The members of the Bank in General Court may at any time and from time to time by resolution enlarge the capital stock of the Bank by such amount as they think proper. The approval in writing of the Minister for Finance is required before any such resolution (a 'Capital Resolution') can be tabled at a General Court. Whenever the capital stock of the Bank is so enlarged, the Directors may, subject to various provisions of the Bye-Laws, issue stock to such amount not exceeding the amount of such enlargement as they think proper. All ordinary stock so issued shall rank in equal priority with existing ordinary stock.

Subject to provisions of the Companies Act, to any rights conferred on any class of stock in the Bank and to the Bye-Laws, the Bank may purchase any of its stock of any class (including any redeemable stock) and may cancel any stock so purchased. The Bank may hold such stock as treasury stock, in accordance with Section 109 of the Companies Act 2014 (the 'treasury stock') with liberty to re-issue any such treasury stock on such terms and conditions and in such manner as the Directors may from time to time determine. The Bank shall not make market purchases of its own stock unless such purchases shall have been authorised by a special resolution passed by the members of the Bank at a General Court (a Section 215 Resolution).

The Bank on 23 November 2015 announced that it would exercise its discretion to redeem, and did so redeem, the 2009 Preference Stock for €1.3 billion, at the earliest possible date, on 4 January 2016. Prior to their redemption, the Bank was entitled to repurchase the 2009 Preference Stock at its option, in whole or in part, at a price per unit equal to the issue price of €1.00 from profits available for distribution or from the proceeds of any issue of stock or securities that constitute Core tier 1 capital, provided that the consent of the Central Bank of Ireland to the repurchase was obtained. Rights to receive any repurchase monies in excess of €1.00 per unit were irrevocably waived by the final holder of the 2009 Preference Stock. The 2009 Preference Stock was not capable of being repurchased where such repurchase would have breached or caused a breach of the capital adequacy requirements of the Central Bank of Ireland.

10. Significant agreements to which the Bank is a party that take effect, alter or terminate upon a change of control of the Bank following a bid and the effects of any such agreements.

Certain Group agreements may be altered or terminated upon a change of control of the Bank following a takeover. Those that may be deemed to be significant in terms of their potential impact on the business of the Group as a whole are the joint ventures between the Bank and Post Office Limited in the UK (in respect of foreign exchange and Post Office branded retail financial service products) and the agreement between Bank of Ireland (UK) plc, AA plc and AA Financial Services Limited in the UK (in respect of AA branded financial services products).

11. Agreements between the Bank and its Directors or employees providing for compensation for loss of office or employment that occurs because of a bid.

There are no agreements between the Bank and its Executive Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occur because of a bid. There are however provisions for early maturity of employee stock schemes in the event of a change of control.

The service contracts for Non-executive Directors do not make provision for benefits on termination in the event of a bid.

Court of Directors

Archie G Kane (63)
Governor

Archie retired from Lloyds Banking Group plc in May 2011, where he was Group Executive Director - Insurance and Scotland. Prior to that, he held a number of senior and general management positions with Lloyds Banking Group plc and TSB Bank plc. He was Chairman of the Association of British Insurers and Chairman of the Association of Payments and Clearing Services. He is a former member of the UK Takeover Panel, the Financial Services Global Competitiveness Group, the Insurance Industry Working Group, HM Treasury Financial Services Committee and the Financial Services Advisory Board - Government of Scotland. He is a member of TheCityUK Advisory Council.

Archie has extensive experience of the financial services industry, having spent more than twenty five years in various senior commercial, strategic and operational roles in Lloyds Banking Group plc and TSB Bank plc. He is a member of the Institute of Chartered Accountants Scotland (ICAS).

Term of Office:
Appointed to the Court in June 2012. Appointed Governor on 29 June 2012 (3.5 years).

Independent:
On appointment

External Appointments:
Trustee of the Stratford Literary Festival.

Committee Membership:
Chairman of the Group Nomination and Governance Committee and member of the Group Remuneration Committee from June 2012 (3.5 years).

Kent Atkinson (70)
Non-executive Director

Kent was Group Finance Director of Lloyds TSB Group between 1994 and 2002. Prior to that, he held a number of senior executive appointments in Retail Banking with Lloyds, including Regional Executive Director for their South East region, and worked for twenty two years in South America and the Middle East with the Group.

In addition to his extensive commercial and financial executive experience in the financial services industry, Kent has significant experience as a Non-executive Director across a range of international companies. He currently serves as Senior Independent Director and Chairman of the Audit Committee of UK Asset Resolution Limited (which includes Bradford & Bingley plc and NRAM plc). Previous board appointments include Coca-Cola HBC AG, Cookson Group plc, Gemalto N.V., Standard Life plc, Telent plc (formerly Marconi plc) and Millicom International Cellular S.A.

Kent has significant experience in governance, risk management and financial oversight, including in the capacity of Senior Independent Director, Chair of Audit Committee of a number of entities, and as a member of Risk, Strategy and M&A, Remuneration and Nomination Committees.

Term of Office:
Appointed to the Court in January 2012 (4 years).

Independent:
Yes

External Appointments:
Member of the Board of UK Asset Resolution Limited (which includes Bradford & Bingley plc and NRAM plc), where he is the Senior Independent Director, Chairman of the Audit Committee and a member of the Risk Committee.

Committee Membership:
Member of the Group Audit Committee since January 2012 (4 years) and Chairman since April 2012. Member of the Court Risk Committee since January 2012 (4 years).

Richie Boucher (57)
Group Chief Executive Officer, Executive Director

Richie was appointed Group Chief Executive Officer in 2009. He joined the Group as Chief Executive, Corporate Banking in December 2003 from Royal Bank of Scotland. He was appointed Chief Executive, Retail Financial Services Ireland in January 2006. He is a past President of the Institute of Banking in Ireland (2008) and of the Irish Banking Federation (2006).

Richie has over thirty years' experience in all aspects of financial services. He has held a number of key senior management roles within Bank of Ireland, Royal Bank of Scotland and Ulster Bank through which he has developed extensive leadership, strategy development, financial, people, operational and risk management skills. He is a Fellow of the Institute of Banking.

Term of Office:
Appointed to the Court in October 2006 (9.5 years) and appointed Group Chief Executive Officer in February 2009 (7 years).

Independent:
No

External Appointments:
None

Committee Membership:
None

Pat Butler (55)
Non-executive Director

Pat is a partner of The Resolution Group, a financial services investment firm specialising in large scale restructuring. Prior to this he spent twenty five years with McKinsey & Co., where he was a senior Director and led the firm's UK Financial Services Practice and its EMEA Retail Banking Practice. At McKinsey & Co., he advised banks, insurance companies and asset managers in the UK, US, Australia, South Africa, Middle East and several European countries, as well as a range of companies outside financial services, on issues of strategy, operations, performance improvement and organisation.

Pat has considerable strategic experience in a broad range of industries with an international profile, and an in-depth strategic and operational knowledge of the European and International Banking sector in particular. He is a Fellow of Chartered Accountants Ireland.

Term of Office:
Appointed to the Court in December 2011 (4 years).

Independent:
Yes

External Appointments:
Non-executive Director of British Business Bank Investments Ltd, the commercial arm of British Business Bank. Non-executive Director of Hikma Pharmaceuticals plc, where he is Chairman of the Audit Committee and a member of the Nomination and Compliance, Responsibility and Ethics Committees. Governor of the British Film Institute. Non-executive Director of The Resolution Foundation and Res Media Limited.

Committee Membership:
Member of the Group Nomination and Governance Committee and member of the Court Risk Committee since December 2011 (4 years). Member of the Group Remuneration Committee since October 2013 (2.5 years).

Tom Considine (71)
Non-executive Director

Tom is a former Secretary General of the Department of Finance and a former member of the Advisory Committee of the National Treasury Management Agency. He was also formerly a board member of the Central Bank and Financial Services Authority of Ireland and a former member of the Council of the Economic & Social Research Institute.

Tom was nominated as a Director of the Bank by the Minister for Finance under the terms of the Credit Institutions (Financial Support) Act, 2008 and is not required to stand for election or regular re-election by stockholders. Apart from the information available in the public domain at the time of nomination, a description of the skills and expertise brought to the Board by this appointment was not provided by the Government. However, the Court notes the value and benefit gained from Tom's membership of the Court and its Committees through his judgement and quality of contribution.

Tom has extensive experience in the public service, including at the most senior level in the Department of Finance and representing Ireland at European Union level. He is a former President of the Institute of Public Administration. He has experience in finance at a strategic level, financial regulation, fiscal policy and risk management. As a former Secretary General of the Department of Finance and board member of the Central Bank and Financial Services Authority, he has broad experience of the wider macroeconomic environment and related policy issues. He is a Fellow of the Association of Chartered Certified Accountants.

Term of Office:
Appointed to the Court in January 2009 (7 years).

Independent:
No

External Appointments:
None

Committee Membership:
Chairman of the Court Risk Committee since July 2009 (6.5 years) and member of the Group Audit Committee since January 2009 (7 years).

Patrick Haren (65)
Senior Independent Director; Non-executive Director

Patrick is a former CEO of the Viridian Group, having joined Northern Ireland Electricity (NIE) in 1992 as Chief Executive. He previously worked with the ESB, including as Director - New Business Investment and also served as a board member of Invest Northern Ireland for a number of years.

Patrick is an experienced Chief Executive Officer who has gained extensive strategic, corporate development and transactional experience, having led the privatisation of NIE by IPO and grown the business under the new holding company Viridian through to 2007, positioning the company as the market leader in independent electricity generation and supply in competitive markets in Ireland, North and South. Patrick was appointed to the board of Bank of Ireland (UK) plc in June 2012 where he also serves as Chair of the Remuneration Committee and a member of the Nomination Committee. He was awarded a knighthood in 2008 for services to the electricity industry in Northern Ireland. He is a member of the Institute of Directors (UK).

Term of Office:
Appointed to the Court in January 2012 (4 years).

Independent:
Yes

External Appointments:
None

Committee Membership:
Member of the Group Audit Committee since January 2012 (4 years). Member of the Group Remuneration Committee since January 2012 (4 years) and Chairman since May 2015. Member of the Group Nomination and Governance Committee since November 2015.

Andrew Keating (45)
Group Chief Financial Officer, Executive Director

Andrew joined the Group in 2004, prior to which he held a number of senior finance roles with Ulster Bank, having qualified as a Chartered Accountant with Arthur Andersen. Prior to his appointment as Group Chief Financial Officer, Andrew held the role of Director of Group Finance.

Andrew is an experienced financial services professional who has held a number of senior finance roles in Bank of Ireland and Ulster Bank. He has in-depth knowledge of financial reporting and related regulatory and governance requirements. He is a Fellow of Chartered Accountants Ireland.

Term of Office:
Appointed to the Court in February 2012 (4 years).

External Appointments:
None

Independent:
No

Committee Membership:
None

Patrick Kennedy (46)
Deputy Governor; Non-executive Director

Patrick was Chief Executive of Paddy Power plc from 2006 to 2014. He served as an Executive Director of Paddy Power plc since 2005 and a Non-executive Director since 2004, during which time he served as Chairman of the Audit Committee. He was a member of the Risk Committee of Paddy Power plc from 2006 to 2014. Prior to joining Paddy Power plc, Patrick worked at Greencore Group plc for seven years where he was Chief Financial Officer and also held a number of senior strategic and corporate development roles. Patrick also worked with KPMG Corporate Finance in Ireland and the Netherlands and as a strategy consultant with McKinsey & Co. in London, Dublin and Amsterdam.

As an experienced Chief Executive Officer and Finance Director, Patrick has in-depth knowledge of international business, management, finance, corporate transactions, strategic development and risk management through his involvement in Paddy Power plc, Elan Corporation plc (where he was Chairman of the Leadership, Development and Compensation Committee and a member of the Transaction Committee), Greencore Group plc and McKinsey & Co. He is a Fellow of Chartered Accountants Ireland.

Term of Office:
Appointed to the Court in July 2010 (5.5 years).

Independent:
Yes

External Appointments:
Chairman of Cartrawler.

Committee Membership:
Member of the Group Remuneration Committee and member of the Court Risk Committee since January 2011 (5 years). Member of the Group Nomination and Governance Committee since September 2014 (1.5 years).

Davida Marston (62)
Non-executive Director

Davida is a Non-executive Director of Liberbank S.A., where she is Chair of the Nomination Committee and a member of the Remuneration Committee. She is a former Director of a number of companies, including CIT Bank Limited, ACE European Group Limited and Europe Arab Bank plc. She was a member of the UK senior management team of Citigroup's UK Corporate Bank (1990-2003), which included a period as Regional Head UK and Ireland for the Banks and Securities business, and a senior manager at Bank of Montreal (1981-1990).

Davida has considerable financial services experience, both as an Executive and Non-executive Director and as Chair of Audit and Risk Committees in financial services companies. She has extensive non-executive experience with banking, life assurance and non-financial services companies. She is a Fellow of the Institute of Directors.

Term of Office:
Appointed to the Court in April 2013 (2.5 years).

Independent:
Yes

External Appointments:
Non-executive Director of Liberbank S.A., where she is Chair of the Nomination Committee and a member of the Remuneration Committee.

Committee Membership:
Member of the Group Audit Committee and member of the Court Risk Committee since April 2013 (2.5 years).

Brad Martin (56)
Non-executive Director

Brad is Vice President, Strategic Investments, Fairfax Financial Holdings Limited, a publicly traded financial services holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and investment management. Brad gained 11 years' experience with the Canadian Law Firm, Torys LLP, including a year on secondment to the Ontario Securities Commission, becoming a Partner in the firm in 1995. He has worked in a variety of senior roles in the Fairfax Financial Group and served on the boards of a number of companies in which Fairfax is a significant investor. He is the Chairman of Resolute Forest Products Inc. and serves as a Director of Eurobank Ergasias SA. Previous Board appointments include Ridley Inc., HUB International Limited, Cunningham Lindsey Group Limited, Odyssey Re Group Limited, Northbridge Financial Corporation, The Brick Limited and Chairman of Imvescor Restaurant Group Inc.

Brad is a highly qualified lawyer with strong experience in a legal professional firm and in-house with Fairfax Financial Holdings Limited. He has particular skills in the areas of corporate strategy, operations management, acquisitions, restructures, corporate finance, legal and corporate governance and people management.

At the date of his appointment, Fairfax noted that it was pleased to have been able to nominate someone of Brad's calibre and experience as its nominee to the Court.

Term of Office:
Appointed to the Court in July 2013 (2.5 years).

Independent:
No

External Appointments:
Chairman of Resolute Forest Products Inc. Non-executive Director of Eurobank Ergasias SA., where he is Chairman of the Nomination and Remuneration Committees and a member of the Audit and Risk Committees. Non-executive Director of Blue Ant Media Inc.

Committee Membership:
Member of the Group Remuneration Committee since November 2015.

Fiona Muldoon (48)
Non-executive Director

Fiona is Group Chief Executive of FBD Holdings plc and FBD Insurance plc, one of Ireland's largest property and casualty insurers.

Prior to this, Fiona served from 2011 to 2014 with the Central Bank of Ireland including as Director, Credit Institutions and Insurance Supervision. She also spent 17 years of her career with XL Group in Dublin, London and Bermuda, where she worked in various senior financial management positions with responsibilities for corporate treasury and strategic activities including capital management, rating agency engagement, corporate development, corporate finance, liquidity, foreign exchange and cash management.

Fiona has significant experience in governance, regulatory compliance and financial oversight and is an experienced financial services professional. She has significant previous experience within a financial institution with an international focus. Fiona has a Bachelor of Arts Degree from University College Dublin and is a Fellow of Chartered Accountants Ireland.

Term of Office:
Appointed to the Court in June 2015 (0.5 year).

Independent:
Yes

External Appointments:
Group Chief Executive of FBD Holdings plc and FBD Insurance plc.

Committee Membership:
Member of the Court Risk Committee since November 2015.

Patrick Mulvihill (53)
Non-executive Director

Patrick spent much of his career at Goldman Sachs, retiring in 2006 as Global Head of Operations covering all aspects of Capital Markets Operations, Asset Management Operations and Payment Operations. He previously held the roles of Co-Controller, Co-Head of Global Controller's Department, covering financial / management reporting, regulatory reporting, product accounting and payment services. He was also a member of the firm's Risk, Finance and Credit Policy Committees. Patrick is a Non-executive Director of International Fund Services (Ireland) Limited.

Patrick has over twenty years' experience of international financial services and has held a number of senior management roles based in London and New York with Goldman Sachs. As a result, he has an in depth knowledge of financial and management reporting, regulatory compliance, operational, risk and credit matters within a significant financial institution with an international focus. Patrick is a Fellow of Chartered Accountants Ireland and Associate of the Institute of Directors.

Term of Office:
Appointed to the Court in December 2011 (4 years).

Independent:
Yes

External Appointments:
Non-executive Director of International Fund Services (Ireland) Limited and Director of Beachvista Limited.

Committee Membership:
Member of the Group Audit Committee and member of the Court Risk Committee since December 2011 (4 years).

Senior Independent Director
Patrick Haren

Group Audit Committee (GAC)
Kent Atkinson (Chairman)
Tom Considine
Patrick Haren
Davida Marston
Patrick Mulvihill

Group Remuneration Committee (REM COM)
Patrick Haren (Chairman)
Pat Butler
Archie G Kane
Patrick Kennedy
Brad Martin

Group Nomination and Governance Committee (N&G)
Archie G Kane (Chairman)
Pat Butler
Patrick Haren
Patrick Kennedy

Court Risk Committee (CRC)
Tom Considine (Chairman)
Kent Atkinson
Pat Butler
Patrick Kennedy
Davida Marston
Fiona Muldoon
Patrick Mulvihill

Directors who are Trustees of the Bank Staff Pensions Fund (BSPF)
Tom Considine
Patrick Kennedy

Group Risk Policy Committee (GRPC)
Vincent Mulvey (Chairman)
Richie Boucher
Sean Crowe
Des Crowley
Andrew Keating
Liam McLoughlin
Peter Morris
Declan Murray
Helen Nolan
Mick Sweeney
Michael Torpey

Group Investment Committee (GIC)
Richie Boucher (Chairman)
Donal Collins (Secretary)
Sean Crowe
Des Crowley
Andrew Keating
Liam McLoughlin
Peter Morris
Vincent Mulvey
Helen Nolan
Julie Sharp
Michael Torpey

Group Executive

Richie Boucher	Group Chief Executive Officer
Donal Collins	Head of Group Strategy Development
Sean Crowe	Group Treasurer
Des Crowley	Chief Executive, Retail (UK)
Andrew Keating	Group Chief Financial Officer
Liam McLoughlin	Chief Executive, Retail (Ireland)
Peter Morris	Chief Governance Risk Officer
Vincent Mulvey	Chief Credit & Market Risk Officer
Julie Sharp	Head of Group Human Resources
Michael Torpey	Chief Executive, Corporate and Treasury Division

Remuneration Report

The Bank of Ireland Group's objective of attracting, retaining and motivating high calibre people is deemed fundamental to the achievement of our goals and objectives. We want to ensure we have the right people in the right roles and we recognise the importance that our shareholders place in the management of our remuneration strategy, frameworks, policies and practices. To reflect this, we operate strong governance across the organisation on the management of remuneration frameworks, policies and practices that support our strategy.

Governance Structures

The Group Remuneration Committee holds delegated responsibility for the oversight of Group-wide remuneration policy with specific reference to the Governor, Directors and senior management across the Group, and those employees whose activities have a material impact on the Group's risk profile.

It is the Group Remuneration Committee's responsibility to consider, agree and approve a remuneration strategy that supports the Group's objectives of long-term sustainability and success, sound and responsible risk management and good corporate governance.

The remuneration of Non-executive Directors is determined and approved by the Court. Neither the Governor nor any Director participates in decisions relating to their own personal remuneration.

During 2015 independent advice was received by the Bank from a number of external advisers on a range of issues relating to remuneration including evolving pay regulations, international mobility, benefits, recognition and performance management.

The Group Remuneration Committee met six times in 2015 and discussed the following key topics:

- Group Remuneration Committee Terms of Reference.
- Group Remuneration Policy.
- The Governor's remuneration and expenses.
- Performance Reviews for the Group CEO and the Group Executive Committee.
- Remuneration of the Heads of Key Risk Control Functions.
- Group European Banking Authority (EBA) code role holder list.
- Group risk profile and implications of remuneration policies for risk and risk management.
- Analysis of market practice regarding variable pay.
- Remuneration benchmarking.
- Remuneration-related Regulatory developments.

European Banking Authority (EBA) Remuneration Guidelines

The objective of these guidelines is to ensure that an institution's remuneration policies and practices are consistent with and promote sound and effective risk management. They apply to all institutions which are currently covered by the Capital Requirements Directive, including the Bank of Ireland Group.

During 2015, the Group continued to apply the Guidelines to the performance and reward structures across the Group with the key areas of focus as follows:

Code Role Holders
In accordance with EBA guidelines for the identification of those employees whose professional activities are deemed to have a material impact on the Group's risk profile, the Group maintains a list of these employees, known as Code Role Holders.

Disclosure
During 2015, the Group continued to comply with its annual requirements to provide disclosures relating to:

- Remuneration at Bank of Ireland;
- Decision-making processes related to the remuneration policy;
- Code Role Holder assessment and reporting;
- Remuneration restrictions;
- Link between pay and performance;
- Group Remuneration Strategy; and
- Remuneration Expenditure.

These disclosures were made as part of the Group's 2014 Pillar III disclosure in March 2015 which is available on the Group's website. The Group's 2015 Pillar III disclosures will be made during 2016.

As a significant institution in an Irish banking context, the Group is required to submit additional disclosures under the EBA Remuneration data collection exercises. The Group continued to comply with its annual reporting requirements in 2015, submitting the following reports via the Central Bank of Ireland (the 'Central Bank') to the Single Supervisory Mechanism:

- 2014 European Benchmarking exercise; and
- 2014 High Earners (those earning €1 million and above) report.

Alignment of performance and reward with risk
The Group's Risk Appetite Statement as set out on page 68 forms an integral element of remuneration structures, practices and frameworks. The Group's Risk Appetite Statement has been cascaded, as appropriate, throughout the Group.

European Banking Authority (EBA) Remuneration Guidelines (continued)

Involvement of Risk Function
The Chairman of the Court Risk Committee and the Chief Credit & Market Risk Officer attended the Group Remuneration Committee meeting in September 2015. At this meeting, the Chief Credit & Market Risk Officer reported on the Group's risk profile and its relationship to remuneration.

Remuneration Restrictions

The Group is currently operating under a number of remuneration restrictions which cover all directors, senior management, employees and certain service providers across the Group. In addition, variable incentive payments over a certain level which may be made to employees based in Ireland are currently subject to an additional tax charge. The remuneration restrictions were contained within the Covered Institutions Financial Support Scheme 2008 and the 'Minister's Letter' (July 2011), under which the Group gave a number of commitments and undertakings to the Minister for Finance in respect of remuneration practices. The Minister's Letter was a further condition of the Transaction and Underwriting Agreement entered into with the Irish Government (July 2011) during the 2011 Recapitalisation of the Group.

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

Attraction, Motivation and Retention

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

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

The restrictions imposed by the Minister's Letter place the Group at an increasing competitive disadvantage in seeking to retain and attract staff, particularly those with certain skill sets and in international locations.

Group Remuneration Strategy

The Group's Remuneration Strategy, which aims to support the Group's objectives of long-term sustainability and success, sound and responsible risk management and good corporate governance, was reviewed in 2015.

The application of this strategy is consistent with the Group's Risk Appetite Statement and regulations that govern remuneration in the jurisdictions where the Group operates.

The Group Remuneration Strategy seeks to ensure that:

- the Group's efforts are aligned with, and contribute to, the long-term sustainability, value creation and success of the Group;
- the Group has the necessary platform to attract, retain and motivate its employees;
- the Group offers a competitive remuneration package across all markets, in a cost effective manner;
- remuneration practices are simple, transparent, easy to understand and implement;
- sound and effective risk management is reflected in performance management and remuneration structures and their alignment to performance targets and governance structures;
- remuneration is applied in consideration of and in alignment with the Group's Risk Appetite Statement and overall risk governance framework;
- risk adjusted financial performance is an important measure when evaluating performance;
- business and individual performance measures and targets are aligned with business objectives at a Group and local business level, ensuring alignment with business strategy, risk measures and priorities and is based on a balanced scorecard approach;
- all remuneration practices are subject to appropriate governance;
- the Group is compliant with all applicable remuneration requirements as they relate to the Group; and
- remuneration policies, process, procedures, systems and controls support the fair treatment of customers and mitigate the potential for conflict between commercial, customer and public interests.

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

Performance Management

A robust performance management system and process, incorporating performance planning and review, remains critical and is a key pillar of the Group's compliance with remuneration guidelines.

The performance management framework enables the Group to align individual, business unit and divisional performance to the Group's strategic objectives through an ongoing dialogue between managers and their direct team members ensuring a strong alignment to risk.

Managers have mandatory risk goals which reflect the nature of their role and their seniority within the Group and have an appropriate weighting attached to them.

The Balanced Scorecard and Key Result Areas
The Balanced Scorecard approach incorporated within the Group's Performance Planning and Review Process is consistent with guidelines.

It ensures that:
- organisational performance is continually enhanced by measuring staff against the four Key Result Areas in the balanced scorecard;
- all key deliverables and accountabilities of a role are taken into account when performance is assessed. For example, financial results, risk management, impact on customers, leadership and development of people, regulatory and compliance requirements; and
- a comprehensive view of an individual's performance is taken, rather than focusing on one or two key areas to the potential detriment of others.

Each of the Key Result Areas that apply to all senior manager and manager roles in the Group has a minimum weighting of 10%, dependent on the type of role the individual is performing. All weightings must add up to 100%.

The Key Result Areas are:
- Customer
- Leadership and People Development
- Financial / Revenue / Cost / Efficiency
- Risk (covers all areas of Risk including Credit, Regulatory, Operational Risk and Conduct Risk).

Goals set within these Key Result Areas are linked to overall Divisional and Group Strategy, support the achievement of business unit objectives and are aligned to the Group's Risk Appetite Statement.

Key deliverables are agreed for each employee with his / her line manager at the beginning of the performance cycle. Regular informal reviews take place at times during the performance cycle. A formal end of year review occurs at the end of the performance cycle.

Remuneration packages for Executive Directors

The following changes to the remuneration packages for Executive Directors took place during 2015:
- The salary waiver from the Group CEO ceased on 31 March 2015;
- The CFO's salary was increased on 1 March 2015; and
- The CEO's voluntary pension waiver ceased on 31 December 2014.

For the year ended 31 December 2015, the remuneration packages for Executive Directors were governed by the Group's commitments under the Minister's Letter (July 2011).

The key elements of the remuneration package in respect of the year ended 31 December 2015 were as follows (further detail is available in table 1 on page 151):
- **Salary** - Salaries are paid monthly and reviewed annually by the Group Remuneration Committee; and
- **Retirement Benefits** - The Executive Directors are members of the Bank of Ireland Staff Pensions Fund, which is a contributory defined benefit (DB) scheme. In addition, the CFO is a member of the supplementary section of the contributory RetireWell defined contribution (DC) arrangement.

Other potential elements of the remuneration package for Executive Directors are as follows:
- **Performance-related bonus scheme** - No bonuses were paid to Executive Directors in respect of the year ended 31 December 2015. No bonuses have been paid to an Executive Director since 2008.
- **Employee Stock Issue Scheme** - There was no stock issue award under the Employee Stock Issue Scheme in 2015 (for further details see note 45 on page 259). The last award made under the Employee Stock Issue Scheme was in 2008.

Directors' remuneration

The information below forms an integral part of the audited financial statements as described in the Basis of preparation on page 176.

Directors' remuneration for the year ended 31 December 2015 (all figures in €000s)

TABLE: 1	Gross salary (1-3)	Fees (4)	Performance bonus (5)	Other remuneration (6)	Pension funding contributions (7)	Total 2015 before amounts waived	Amounts waived during the year (8)	Total 2015 (after amounts waived) (9)
Governor								
A Kane	394	59		37		490		490
Deputy Governor								
P O'Sullivan *(retired 29 April 2015)*	*42					42		42
P Kennedy *(appointed Deputy Governor 29 April 2015)*	85	28				113		113
Executive Directors								
R Boucher	690			34	254	978	(17)	961
A Keating	422			28	38	488		488
Non-executive Directors								
K Atkinson		102				102		102
P Butler		87				87		87
T Considine		98				98		98
P Haren		175				175		175
D Marston		79				79		79
B Martin		64				64		64
F Muldoon *(appointed 12 June 2015)*		*35				35		35
P Mulvihill		79				79		79
Totals	**1,633**	**806**	**-**	**99**	**292**	**2,830**	**(17)**	**2,813**
Ex-gratia payments paid to former Directors / dependents						**201**		**201**

* *From date of appointment or to date of retirement as a Non-executive Director, as indicated.*

Directors' remuneration (continued)

Notes:

(1) The Governor and Deputy Governor, as Non-executive Officers of the Bank, are remunerated by way of non-pensionable salary.

A Kane receives an annual non-pensionable salary of €394,000 for his role as Governor. In addition he has a consultancy arrangement with Bank of Ireland (UK) plc in respect of which he receives an annual fee of €59,000. He also receives an accommodation, utilities and car allowance of €37,000 per annum.

(2) The Chief Executive Officer, R Boucher, had, with effect from 1 May 2009, waived a portion of his salary (€17,000 for the year ended 31 December 2015). The salary shown in the table is the gross amount before that waiver. The salary waiver ceased on 31 March 2015.

(3) The Group Chief Financial Officer, A Keating, receives an annual salary of €429,000. His annual salary for pension purposes is €220,000 and the balance of his salary (€209,000) is excluded for pension purposes.

(4) Fees are paid to Non-executive Directors and a basic fee of €63,000 per annum applies. Additional fees are paid to the Senior Independent Director, Committee Chairmen and for Committee membership. On 1 February 2009, all Non-executive Directors agreed to reduce their fees by 25%. These reductions applied throughout 2015. The basic fee of €63,000 is the reduced fee.

In addition to the above, P Haren serves as Non-executive Director and committee member of Bank of Ireland (UK) plc and received separate fees for these roles (Stg£55,000, equivalent €75,791 for the year ended 31 December 2015).

(5) No bonuses were awarded in respect of the year ended 31 December 2015.

(6) The figures include car allowances and, where applicable, benefits in kind.

(7) The amounts shown for R Boucher and A Keating relate to the Group's pension funding contribution in respect of the pension benefit they accrued in line with their contractual entitlement during 2015. There were no changes to Executive Directors' contractual pension benefit entitlements in the year.

The pension funding cost to the Group, in relation to the Group's sponsored defined benefit schemes, is updated following triennial pension scheme valuations to reflect changes in market yields, which have increased the cost of defined benefit funding. The pension funding cost also reflects the increased actuarial cost of each year's accrual as each Executive Director's term to normal retirement age reduces.

All pension amounts have been determined by Willis Towers Watson, the Group's actuarial advisors, and are approved by the Group Remuneration Committee.

(8) Amounts of salary waived are as set out in note (2) above. The voluntary pension waiver for R Boucher ceased on 31 December 2014.

(9) In addition to the amounts shown, the Group bears the costs of Directors' travel to and from Court and committee meetings or while on the business of the Group.

Directors' remuneration (continued)

Directors' remuneration for the year ended 31 December 2014 (all figures in €000s)

TABLE: 2

	Gross salary (1-3)	Fees (4)	Performance bonus (5)	Other remuneration (6)	Pension funding contributions (7)	Total 2014 before amounts waived	Amounts waived during the year (8)	Total 2014 (after amounts waived) (9)
Governor								
A Kane	394	59		37		490		490
Deputy Governor								
P O'Sullivan	126					126		126
Executive Directors								
R Boucher	690			34	237	961	(118)	843
A Keating	390			31	35	456		456
Non-executive Directors								
K Atkinson		102				102		102
P Butler		87				87		87
T Considine		98				98		98
P Haren		147				147		147
P Kennedy		81				81		81
D Marston		79				79		79
B Martin		63				63		63
P Mulvihill		79				79		79
W L Ross Jr (retired 9 June 2014)		*28				28		28
J Walsh (ceased to be a Director following his death on 9 November 2014)		*82				82		82
Totals	1,600	905	-	102	272	2,879	(118)	2,761
Ex-gratia payments paid to former Directors / dependents						201		201

* *From date of appointment or to date of retirement as a Non-executive Director, as indicated.*

Directors' remuneration (continued)

Notes:

(1) The Governor and Deputy Governor, as Non-executive Officers of the Bank, are remunerated by way of non-pensionable salary.

A Kane receives an annual non-pensionable salary of €394,000 for his role as Governor. In addition he has a consultancy arrangement with Bank of Ireland (UK) plc in respect of which he receives an annual fee of €59,000. He also receives an accommodation, utilities and car allowance of €37,000 per annum.

(2) The Chief Executive Officer, R Boucher, has, with effect from 1 May 2009, waived a portion of his salary (€67,000 for the year ended 31 December 2014). The salary shown in the table is the gross amount before that waiver.

In addition, he has voluntarily waived a portion of his 2014 pension accrual. The amount waived is such that the Pension funding contribution cost to the Bank reduces by €51,000 in 2014 and therefore the Pension funding contribution cost, after waiver, is the same as in 2013.

(3) The Group Chief Financial Officer A Keating receives an annual salary of €390,000. His annual salary for pension purposes is €200,000 and the balance of his salary (€190,000) is excluded for pension purposes.

(4) Fees are paid to Non-executive Directors and a basic fee of €63,000 per annum applies. Additional fees are paid to Committee Chairmen and for Committee membership. On 1 February 2009, all Non-executive Directors agreed to reduce their fees by 25%. These reductions applied throughout 2014. The basic fee of €63,000 is the reduced fee.

In addition to the above, P Haren serves as Non-executive Director and committee member of Bank of Ireland (UK) plc and received separate fees for these roles (Stg£55,000, equivalent €68,000 for the year ended 31 December 2014).

(5) No bonuses were awarded in respect of the year ended 31 December 2014.

(6) The figures include car allowances and, where applicable, benefits in kind.

(7) The amounts shown for R Boucher and A Keating relate to the Group's pension funding contribution in respect of the pension benefit they accrued in line with their contractual entitlement during 2014. There were no changes to Executive Directors' contractual pension benefit entitlements in the year other than both accepted the changes to pension benefits for all active members of the Bank Staff Pensions Fund under Pensions Review 2013 and the wavier outlined in note (2) above.

The pension funding cost to the Group, in relation to the Group's sponsored defined benefit schemes, is updated following triennial pension scheme valuations to reflect changes in market yields, which have increased the cost of defined benefit funding. The pension funding cost also reflects the increased actuarial cost of each year's accrual as each Executive Director's term to normal retirement age reduces.

All pension amounts have been determined by Willis Towers Watson, the Group's actuarial advisors, and are approved by the Group Remuneration Committee.

(8) Amounts of salary and pension accruals waived are as set out in note (2) above.

(9) In addition to the amounts shown, the Group bears the costs of Directors' travel to and from Court and committee meetings or while on the business of the Group.

Executive stock options held by Directors and Secretary

No awards have been made under the 2004 Executive Stock Option Scheme since 2008. This scheme ceased in 2014 and no further grants can be made under this scheme.

There are no outstanding grants awaiting vesting under this scheme.

TABLE: 3

	Date of grant	Earliest exercise date	Expiry date	Exercise price €	Options at 1 January 2015	Granted in period	Exercised in year	Lapsed in period	Market price at exercise date €	Options at 31 December 2015
R Boucher	21 Jun 2005	21 Jun 2008	21 Jun 2015	€12.85	23,000			(23,000)		-
	TOTAL				**23,000**			**(23,000)**		**-**
Secretary										
H Nolan	21 Jun 2005	21 Jun 2008	21 Jun 2015	€12.85	11,000			(11,000)		-
	TOTAL				**11,000**			**(11,000)**		**-**

The above options are pre the Group's 2010 Rights Issue and 2011 Rights Issue. The Group Remuneration Committee exercised its discretion to not make any technical adjustments to these grants in 2011. No other Directors have been granted options to subscribe for units of ordinary stock of the Bank or of other Group entities. The official closing price per unit of ordinary stock at 31 December 2015 was €0.3380 (31 December 2014: €0.3130).

Directors' pension benefits

Set out below are details of the change in accrued pension benefits for the Directors during the year ended 31 December 2015.

TABLE: 4

	(a) Additional inflation-adjusted accrued DB pension in the year €	(b) Increase in DB transfer value plus Bank DC contributions €	(c) Accrued DB pension benefits at 31 December 2015 €
Executive Directors			
R Boucher	13,019	265,395	343,511
A Keating	3,333	30,015	37,438

Column (a) represents the inflation-adjusted increase in each individual's accrued DB pension during the year. Increases are shown after the opening position has been adjusted for statutory revaluation, and comprise allowance for additional pensionable service, any increases in pensionable earnings and any agreed adjustment in the individual's pension accrual. This is in line with the requirements of the Listing Rules and the related actuarial professional guidance.

Column (b) is the additional capital value, less each Director's contributions, of Column (a) which could arise if the DB pension were to be transferred to another pension plan on the Director leaving the Group and is calculated using factors supplied by the actuary in accordance with actuarial guidance notes ASP PEN-2, and is based on leaving service pension benefits becoming payable at normal retirement date, age 60. The Bank also makes contributions to the supplementary section of its RetireWell DC arrangement in respect of A Keating. The amount of €3,083 for these contributions for the year has been added to the increase in the DB transfer value.

Column (c) is the aggregate DB pension benefit payable at normal retirement age based on each Director's pensionable service with the Group at 31 December 2015.

Directors' and Secretary's interests in stock

In addition to their interests in stock through their holding of stock options as set out in table 3, the interests of the Directors and Secretary in stock issued by the Bank as disclosed to the Bank are detailed below:

TABLE: 5

	Units of €0.05 of ordinary stock at 31 December 2015 beneficial	Units of €0.05 of ordinary stock at 1 January 2015 or at date of appointment beneficial
DIRECTORS		
K Atkinson	2,000	2,000
R Boucher	380,957	380,957
P Butler	22,519	22,519
T Considine	57,500	57,500
P Haren	40,000	1,000
A G Kane	11,074	11,074
A Keating	233,608	233,608
P Kennedy	254,642	254,642
D Marston	100,000	100,000
B Martin	100,000	100,000
F Muldoon	10,979	*10,979
P Mulvihill	5,000	5,000
SECRETARY		
H Nolan	80,043	80,043

* *Interest in units of €0.05 of ordinary stock at date of appointment.*

Apart from the interests set out above, the Directors and Secretary had no other interests in the stock / securities of the Bank or its Group undertakings at 31 December 2015. There have been no changes in the stockholdings of the above Directors and Secretary between 31 December 2015 and 15 February 2016.

End of information in the Remuneration Report that forms an integral part of the audited financial statements.

Changes in the Directorate during the year

TABLE: 6

	Executive Directors	Non-executive Directors
Number at 31 December 2014	2	10
Changes during 2015		
Appointments		
		Fiona Muldoon *(12 June 2015)*
Retirements		
		Patrick O'Sullivan *(29 April 2015)*
Number at 31 December 2015	2	10
Average number during 2015	2	10
(Average number during 2014)	(2)	(11)

Financial Statements

Statement of Directors' Responsibilities

The following statement, which should be read in conjunction with the Independent Auditors' Report set out on pages 158 to 166, is made with a view to distinguishing for stockholders the respective responsibilities of the Directors and of the Auditors in relation to the financial statements.

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union (EU) and with those parts of the Companies Act 2014 applicable to companies reporting under IFRS, the European Union (Credit Institutions: Financial Statements) Regulations, 2015 and, in respect of the Consolidated financial statements, Article 4 of the IAS Regulation. In preparing these financial statements, the Directors have also elected to comply with IFRS issued by the International Accounting Standards Board (IASB).

Under Irish law the Directors shall not approve the Group's and Bank's financial statements unless they are satisfied that they give a true and fair view of the Group's and the Bank's assets, liabilities and financial position as at the end of the financial year and of the profit or loss of the Group for the financial year.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS adopted by the EU and IFRS issued by the IASB and ensure that they contain the additional information required by the Companies Act 2014; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Bank will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to:

- correctly record and explain the transactions of the Bank;
- enable, at any time, the assets, liabilities, financial position of the Bank to be determined with reasonable accuracy; and
- enable the Directors to ensure that the financial statements comply with the Companies Act 2014, and as regards the Group financial statements, article 4 of the IAS Regulation and enable those financial statements to be audited.

The Directors are also responsible for safeguarding the assets of the Group and the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and the requirements of the Listing Rules issued by the Irish and London Stock Exchanges, the Directors are also responsible for preparing a Directors' Report and reports relating to Directors' remuneration and corporate governance. The Directors are also required by the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules to include a management report containing a fair review of the business and a description of the Principal Risks and Uncertainties facing the Group.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Bank's website. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that, to the best of each Director's knowledge and belief:

- they have complied with the above requirements in preparing the financial statements;
- the financial statements, prepared in accordance with IFRS as adopted by the European Union and with IFRS as issued by the IASB, give a true and fair view of the assets, liabilities, financial position of the Group and the Bank and of the profit of the Group;
- the management report contained in the Business Review includes a fair review of the development and performance of the business and the position of the Group and the Bank, together with a description of the Principal Risks and Uncertainties that they face; and
- the Annual Report and the financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Signed on behalf of the Court by
19 February 2016

Archie G Kane	**Patrick Kennedy**	**Richie Boucher**
Governor	*Deputy Governor*	*Group Chief Executive*

Independent Auditors' Report
to the members of the Governor and Company of the Bank of Ireland

Report on the financial statements

Our opinion

In our opinion:

- The Governor and Company of the Bank of Ireland's Consolidated financial statements and Bank financial statements (the 'financial statements') give a true and fair view of the Group's and the Bank's assets, liabilities and financial position as at 31 December 2015 and of the Group's profit and the Group's and the Bank's cash flows for the year then ended;
- the Consolidated financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union;
- the Bank financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2014; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the Consolidated financial statements, Article 4 of the IAS Regulation.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in the Basis of preparation on page 176 to the Consolidated financial statements, the Group, in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion, the Consolidated financial statements comply with IFRSs as issued by the IASB.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Consolidated and Bank balance sheets as at 31 December 2015;
- the Consolidated income statement and Consolidated statement of comprehensive income for the year then ended;
- the Consolidated and Bank cash flow statements for the year then ended;
- the Consolidated and Bank statements of changes in equity for the year then ended; and
- the notes to the Consolidated and Bank financial statements, which include the accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements and are described as being an integral part of the financial statements as set out in the Basis of preparation on page 176. These are cross-referenced from the financial statements and are identified as audited.

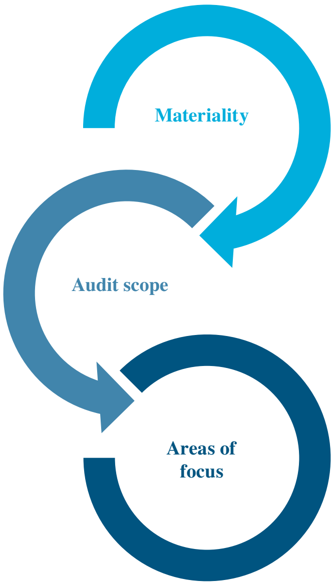
The financial reporting framework that has been applied in the preparation of the financial statements is Irish law and IFRSs as adopted by the European Union and, as regards the Bank financial statements, as applied in accordance with the provisions of the Companies Act 2014.

Our audit approach

Overview

Materiality

- Overall Group materiality: €60 million which represents 5% of profit before tax. The Group is profit oriented and profit before tax is one of the key metrics used to assess its performance. See pages 163 and 164 for further details.



Audit scope

- Our audit work addressed each of the Group's five operating segments which are headquartered in Ireland and the UK: Retail Ireland, Bank of Ireland Life, Retail UK, Corporate and Treasury and Group Centre.
- We performed full scope audits of the complete financial information of the Bank of Ireland Life and Retail UK operating segments and of the two individually significant business units within the Retail Ireland and Corporate and Treasury operating segments.
- Audits of or specified audit procedures on selected account balances, classes of transactions or disclosures were performed at other business units within the Retail Ireland, Corporate and Treasury and Group Centre operating segments.
- The range of audit coverage for individual line items within the Consolidated income statement and Consolidated balance sheet is 62% to 100%; most line items have coverage above 90%.
- See pages 162 and 163 for further details.

Areas of focus

- Impairment provisions on loans and advances to customers.
- Recoverability of deferred tax assets.
- Valuation of the insurance contract liabilities and the Value of In Force business (VIF) asset.
- Retirement benefit obligation - determination of the pension liability.
- IT systems and controls.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)').

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Impairment provisions on loans and advances to customers *Refer to page 130 (Corporate Governance Statement), pages 187 and 188 (Group accounting policies), pages 200 and 201 (Critical accounting estimates and judgements), pages 74 to 102 (credit risk section of the Risk Management Report) and pages 358 to 412 (supplementary asset quality and forbearance disclosures).* We focused on this area as the determination of impairment provisions requires a significant amount of management judgement and the calculations are reliant upon available reliable data, particularly the impairment provisions for certain secured lending portfolios. We focused on the assumptions underlying the calculation of modelled provisions relating to Residential mortgages (Ireland & UK) and the discounted cash flow assessments in Business Banking Ireland and UK (which includes property and non property / SME lending) as these assumptions are complex.	Provisions for Residential mortgages (Ireland & UK) are determined by modelling techniques. Historical experience and management judgement are incorporated into the model assumptions. • We assessed and tested the design and operating effectiveness of the controls over source data and calculations. This included controls over the identification of loans and advances classified as impaired and the calculation of the resulting impairment provision. • We tested the completeness and accuracy of underlying data from the Group's source systems. • Where changes were made to the model parameters and assumptions, we understood the rationale and considered the appropriateness of such changes. • We challenged key assumptions by comparison to externally available information. • We used specialists from our Data Services team and Actuarial practice in the evaluation of the operation of the models. Provisions for loans identified as impaired in the secured lending portfolios in Business Banking Ireland and the UK (which includes property and non property / SME lending) are determined by means of discounted cash flows. • We assessed and tested the design and operating effectiveness of the controls over lending, including those relating to the appropriateness of loan grading and the robustness of internal reviews. • Our testing incorporated the selection of samples of individual loans. We critically assessed, by reference to the underlying documentation and through discussion with management, whether the trigger for an impairment had occurred. We challenged the reasonableness of management's judgement in this regard. • For impaired loans, we examined the forecasts of future cash flows prepared by management to support the calculation of the impairment provision. We challenged the assumptions and compared estimates to external support where available. Where appropriate, this work involved considering third party valuations of collateral, internal valuation guidelines derived from benchmark data and / or externally prepared reports to determine whether appropriate valuation methodologies were employed. We critically assessed the Group's rationalisation of the overall provision levels to consider in particular whether all relevant risks are reflected in the provisions. We also assessed the reasonableness of the total provisions having regard to available external data.

Area of focus	How our audit addressed the area of focus
Recoverability of deferred tax assets *Refer to page 130 (Corporate Governance Statement), page 193 (Group accounting policies), pages 201 and 202 (Critical accounting estimates and judgements) and pages 241 to 243 (note 41 to the Consolidated financial statements).* The Group has deferred tax assets of €1,453 million. We focused on this area because the deferred tax assets primarily arise from historical operating losses and a key judgement is whether there is convincing evidence of the availability of sufficient future taxable profits against which those losses can be utilised. The UK Finance Act 2015 enacted a new loss restriction the effect of which is that UK banks can, in any tax year, shelter only 50% of their UK taxable profits arising from 1 April 2015 with UK losses carried forward from before that date. As a result, management has considered whether this restriction affects their judgement about whether convincing evidence exists as to the availability of future taxable profits in the Group's UK businesses where the effect of the restriction when applied to management's projections, is to extend the recovery periods for UK losses carried forward.	As set out on page 130 of the Corporate Governance Statement, detailed projections of future taxable profits are prepared by the Directors. We considered whether the combination of the Group's current profitability and the Directors' projections provide convincing evidence that sufficient taxable profits will be available to utilise unused tax losses. As part of our audit work, we evaluated the relevant macroeconomic assumptions and growth assumptions underlying the projections in the context of economic consensus forecasts. We considered the impact of the new UK statutory loss restriction on recovery periods for UK trading losses carried forward. We assessed the basis for management's conclusion that the recovery period for trading losses carried forward in the Bank's UK branch should be restricted to ten years being the period over which the Directors can conclude that it is probable that future taxable profits will be available in the UK branch. We also assessed management's judgement that the UK branch trading losses remaining after this ten year period will be used to offset taxable profits of the Bank arising in the Republic of Ireland as permitted under current tax legislation (in the UK and Republic of Ireland).
Valuation of the insurance contract liabilities and the Value of In Force business (VIF) asset *Refer to page 131 (Corporate Governance Statement), pages 194 and 195 (Group accounting policies), page 202 (critical accounting estimates and judgements), and pages 238, 239, 293 and 294 (notes 38 and 58 to the Consolidated financial statements).* We focused on these balances because the estimation of the insurance contracts liabilities and the valuation of the VIF asset (being the discounted future margins on insurance contracts or 'embedded value') are complex calculations and involve use of detailed methodologies, multiple assumptions and significant judgements.	We evaluated, with the assistance of PwC actuarial specialists, the processes and controls surrounding the selection and determination of the methodologies applied, assumptions used and judgements reached. We tested the calculations underpinning the insurance contract liabilities and VIF asset. We assessed the bases used to set the underlying assumptions (the key assumptions being the risk discount rate, unit growth rate, realistic interest rate, lapse rates, mortality, morbidity and expenses) with reference to Group experience, wider market practice and forecast long-term economic conditions.

Area of focus	How our audit addressed the area of focus
Retirement benefit obligation - determination of the pension liability *Refer to pages 130 and 131 (Corporate Governance Statement), pages 191 and 192 (Group accounting policies), page 202 (critical accounting estimates and judgements), and pages 243 to 252 (note 42 to the Consolidated financial statements).* The Group operates a number of defined benefit pension schemes and has an IAS 19 defined benefit pension liability of €755 million. We focused on this area because the valuation of the retirement benefit obligation is complex and requires judgement in choosing appropriate actuarial assumptions. These assumptions can have a material impact on the calculation of the liability.	We considered the reasonableness of the key actuarial assumptions (principally the discount rate, inflation rate and demographic assumptions) used to determine the pension liability. We used PwC actuarial specialists to assist the audit team to challenge management in relation to the assumptions and methodology applied including benchmarking to external data as appropriate.
IT systems and controls *Refer to page 63 for operational risk section within Principal Risks and Uncertainties.* The Group has a complex IT environment and operates a large number of IT applications to support its business activities. A significant number of these applications (whether developed by management or purchased from third party vendors) have been in place for many years. There is a mix of automated and manual interfaces between applications. Management has an ongoing risk management programme in place to identify, rate, mitigate and report on IT risks. The Group's IT control framework over financial reporting includes more than one hundred and thirty standardised IT general controls, most of which relate to a number of applications, designed to prevent or detect material misstatements in the Group's recording, processing and reporting of financial information. We focused on this area because the Group's business is highly IT dependent, the IT environment is complex and the design and operating effectiveness of IT controls and of IT risk mitigants underpins financial reporting.	Using IT audit specialists, we updated our understanding of the Group's IT environment and of changes made to it during 2015 and considered our planned responses to assessed risk. We considered management's assessment of IT risk documented in the IT risk register to identity those risks that were relevant to financial reporting and challenged management's assessment of the mitigation of those risks relevant to financial reporting. We also considered management's documentation and testing of the design and operating effectiveness of the IT controls within the Group's IT control framework over financial reporting and tested the design and operating effectiveness of those controls upon which we wished to rely. Where relevant, we considered whether compensating controls acted as effective mitigants of design or operating deficiencies identified by management or us.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the corporate and geographic organisation of the Group, its accounting processes and controls, and the industry in which the Group operates.

The Group is structured along five operating segments being Retail Ireland, Bank of Ireland Life, Retail UK, Corporate and Treasury and Group Centre. Each operating segment comprises a number of business units. The Group financial statements are a consolidation of the business units.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at each operating segment and business unit by us, as the Group engagement team, or by component PwC auditors operating under our instructions ('component auditors'). Where the work was performed by component auditors, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Consolidated financial statements as a whole.

We performed a full scope audit of the complete financial information of the Bank of Ireland Life and Retail UK operating segments due to their size, location and risk characteristics. We also performed full scope audits of the complete financial information of the two individually financially significant business units within the Retail Ireland and Corporate and Treasury operating segments.

In order to increase the level of audit evidence on each account balance in the Consolidated financial statements, audits of or specified audit procedures on selected account balances, classes of transactions or disclosures were performed at other business units within the Retail Ireland, Corporate and Treasury and Group Centre operating segments. The nature and extent of audit procedures was based on our risk assessment.

Together with additional procedures performed at the Group level, this gave us the evidence we needed for our opinion on the financial statements as a whole.

The range of audit coverage for individual line items within the Consolidated income statement and Consolidated balance sheet is 62% to 100%; most line items have coverage above 90%.

The overwhelming majority of Group activity outside Ireland is in the UK and PwC UK was engaged to perform a full scope audit of the complete financial information of the Retail UK operating segment. No other PwC network firm was engaged for the Group audit. In relation to audit procedures that were performed by PwC UK, we arranged joint planning meetings, regular telephone meetings and reviewed extracts from PwC UK's audit file to corroborate that our audit plan was appropriately executed. In addition, the Group Engagement Partner attended the Bank of Ireland (UK) plc Audit Committee meeting in November 2015 and the PwC UK Audit Partner attended the Group Audit Committee meetings in September 2015 and December 2015.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	€60 million (2014: €50 million).
How we determined it	5% of profit before tax.
Rationale for benchmark applied	The Group is profit oriented and profit before tax is one of the key metrics used to assess its performance. In prior years, the volatility of profit / loss before tax, as a consequence of the scale of impairment charges caused us to select other materiality benchmarks such as gross external revenue which we considered provided a more consistent year on year basis for determining materiality in those years. Given the reduction in impairment charges in 2014 and 2015 and the consequent growth in profitability, adopting a profit before tax benchmark in 2015 results in a materiality measure which is relevant to the current position of the business.
Component materiality	For each business unit in our audit scope , we allocated a materiality that is less than our overall Group materiality. The range of materiality allocations is €10 million to €45 million.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €3 million (2014: €2.5 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons. Such misstatements include disclosure matters that we identify when assessing the overall presentation of the financial statements.

Going concern

Under the Listing Rules, we are required to review the Directors' statement, set out on pages 136 and 177, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Report of the Directors', the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and Bank have adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the financial statements are signed. As part of our audit, we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Bank's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2014 opinion

In our opinion the information given in the Report of the Directors' is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

• information in the Annual Report is: - materially inconsistent with the information in the audited financial statements; or - apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Bank acquired in the course of performing our audit; or - otherwise misleading.	We have no exceptions to report.
• the statement given by the Directors on page 157, in accordance with provision C.1.1 of the UK Corporate Governance Code (the 'Code'), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and Bank's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Bank acquired in the course of performing our audit.	We have no exceptions to report.
• the section of the Annual Report on pages 129 to 132, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

• the Directors' confirmation on page 136 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
• the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
• the Directors' explanation on page 136 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Directors' remuneration

Under the Companies Act 2014, we are required to report to you if, in our opinion, the disclosure of Directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made and under the Listing Rules of the Irish Stock Exchange we are required to review the six specified elements of disclosures in the report to shareholders by the Board on Directors' remuneration. We have no exceptions to report arising from these responsibilities.

Corporate Governance Statement

- In our opinion, based on the work undertaken in the course of our audit of the financial statements:
  - the description of the main features of the internal control and risk management systems in relation to the financial reporting process included in the Corporate Governance Statement; and
  - the information required by Section 1373(2)(d) of the Companies Act 2014 included in the Schedule to the Report of the Directors;

  is consistent with the financial statements and has been prepared in accordance with section 1373(2) of the Companies Act 2014.
- Based on our knowledge and understanding of the Bank and its environment obtained in the course of our audit of the financial statements, we have not identified material misstatements in the description of the main features of the internal control and risk management systems in relation to the financial reporting process or in the information required by section 1373(2)(d) of the Companies Act 2014 included in the Corporate Governance Statement and Schedule to the Report of the Directors, respectively.
- In our opinion, based on the work undertaken during the course of our audit of the financial statements, the information required by section 1373(2)(a),(b),(e) and (f) is contained in the Corporate Governance Statement.
- Under the Listing Rules, we are required to review the part of the Corporate Governance Statement relating to the Bank's compliance with ten provisions of the UK Corporate Governance Code and the two provisions of the Irish Corporate Governance Annex specified for our review. We have nothing to report having performed our review.

Other matters on which we are required to report by the Companies Act 2014

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Bank were sufficient to permit the Bank financial statements to be readily and properly audited.
- The Bank balance sheet is in agreement with the accounting records.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 157, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Bank's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and Bank's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Kevin Egan
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin

19 February 2016

Consolidated financial statements

Consolidated income statement
for the year ended 31 December 2015

	Note	**Year ended 31 December 2015 €m**	Year ended 31 December 2014 €m
Interest income	4	3,269	3,432
Interest expense	5	(825)	(1,111)
Net interest income		**2,444**	**2,321**
Net insurance premium income	6	1,350	1,344
Fee and commission income	7	561	558
Fee and commission expense	7	(242)	(214)
Net trading income / (expense)	8	58	(42)
Life assurance investment income, gains and losses	9	334	814
Other operating income	10	299	270
Total operating income		**4,804**	**5,051**
Insurance contract liabilities and claims paid	11	(1,511)	(2,079)
Total operating income, net of insurance claims		**3,293**	**2,972**
Other operating expenses	12	(1,823)	(1,705)
Impact of amendments to defined benefit pension schemes	42	4	93
Cost of restructuring programme	13	(43)	(56)
Operating profit before impairment charges on financial assets		**1,431**	**1,304**
Impairment charges on financial assets	15	(296)	(472)
Operating profit		**1,135**	**832**
Share of results of associates and joint ventures (after tax)	16	46	92
Profit / (loss) on disposal / liquidation of business activities	17	51	(4)
Profit before tax		**1,232**	**920**
Taxation charge	18	(285)	(134)
Profit for the year		**947**	**786**
Attributable to stockholders		940	786
Attributable to non-controlling interests		7	-
Profit for the year		**947**	**786**
Earnings per unit of €0.05 ordinary stock	19	2.3c	2.0c
Diluted earnings per unit of €0.05 ordinary stock	19	2.3c	2.0c

Consolidated statement of comprehensive income for the year ended 31 December 2015

	Note	**Year ended 31 December 2015 €m**	Year ended 31 December 2014 €m
Profit for the year		**947**	**786**
Other comprehensive income, net of tax:			
Items that may be reclassified to profit or loss in subsequent years:			
Available for sale reserve, net of tax:			
Changes in fair value		110	301
Transfer to income statement			
- Asset disposal		(181)	(168)
- Amortisation		(10)	-
Net change in available for sale reserve		**(81)**	**133**
Cash flow hedge reserve, net of tax:			
Changes in fair value		(258)	(250)[1]
Transfer to income statement		213	409[1]
Net change in cash flow hedge reserve		**(45)**	**159**
Foreign exchange reserve:			
Foreign exchange translation gains		249	275
Transfer to income statement on liquidation of non-trading entities	17	6	-
Net change in foreign exchange reserve		**255**	**275**
Total items that may be reclassified to profit or loss in subsequent years		**129**	**567**
Items that will not be reclassified to profit or loss in subsequent years:			
Remeasurement of the net defined benefit pension liability		91	(353)
Revaluation of property, net of tax		11	1
Total items that will not be reclassified to profit or loss in subsequent years		**102**	**(352)**
Other comprehensive income for the year, net of tax		**231**	**215**
Total comprehensive income for the year, net of tax		**1,178**	**1,001**
Total comprehensive income attributable to equity stockholders		1,171	1,001
Total comprehensive income attributable to non-controlling interests		7	-
Total comprehensive income for the year, net of tax		**1,178**	**1,001**

[1] *Comparative figures have been adjusted in the cash flow hedge reserve resulting in a change of €142 million in 'changes in fair value' with an offsetting increase in 'transfer to income statement'.*

The effect of tax on these items is shown in note 18.

Consolidated balance sheet as at 31 December 2015

	Note	31 December 2015 €m	31 December 2014 €m
Assets			
Cash and balances at central banks	48	6,603	4,991
Items in the course of collection from other banks		294	435
Trading securities		3	12
Derivative financial instruments	20	3,064	3,692
Other financial assets at fair value through profit or loss	21	12,280	11,528
Loans and advances to banks	22	4,578	4,851
Available for sale financial assets	23	10,128	13,580
Held to maturity financial assets	24	1,922	-
NAMA senior bonds	25	1,414	2,374
Loans and advances to customers	26	84,689	82,118
Assets classified as held for sale	27	20	135
Interest in associates	29	56	56
Interest in joint ventures	30	83	233
Intangible assets	31	526	410
Investment properties	32	841	701
Property, plant and equipment	33	334	324
Current tax assets		13	11
Deferred tax assets	41	1,453	1,638
Other assets	34	2,640	2,705
Retirement benefit assets	42	19	6
Total assets		**130,960**	**129,800**
Equity and liabilities			
Deposits from banks	35	952	3,855
Customer accounts	36	80,164	74,837
Items in the course of transmission to other banks		239	379
Derivative financial instruments	20	3,619	4,038
Debt securities in issue	37	13,243	16,040
Liabilities to customers under investment contracts	38	5,729	5,680
Insurance contract liabilities	38	10,403	9,918
Other liabilities	39	4,103	2,628
Current tax liabilities		35	30
Provisions	40	97	85
Deferred tax liabilities	41	68	71
Retirement benefit obligations	42	755	992
Subordinated liabilities	43	2,440	2,500
Total liabilities		**121,847**	**121,053**
Equity			
Capital stock	45	2,558	2,558
Stock premium account		1,135	1,135
Retained earnings		4,950	4,196
Other reserves		(260)	876
Own stock held for the benefit of life assurance policyholders		(11)	(12)
Stockholders' equity		**8,372**	**8,753**
Other equity instruments	47	740	-
Total equity excluding non-controlling interests		**9,112**	**8,753**
Non-controlling interests		1	(6)
Total equity		**9,113**	**8,747**
Total equity and liabilities		**130,960**	**129,800**

Archie G Kane	***Patrick Kennedy***	***Richie Boucher***	***Helen Nolan***
Governor	*Deputy Governor*	*Group Chief Executive*	*Group Secretary*

Consolidated statement of changes in equity for the year ended 31 December 2015

	Note	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Capital stock	45	**2,558**	**2,558**
Stock premium account		**1,135**	**1,135**
Retained earnings			
Balance at the beginning of the year		4,196	3,805
Profit retained		683	645
- Profit for year attributable to stockholders		*940*	*786*
- Dividends on 2009 Preference Stock	45,46	*(249)*	*(133)*
- Dividends on other preference equity interests paid in cash		*(8)*	*(8)*
Transfer (to) / from capital reserve		(22)	94
Remeasurement of the net defined benefit pension liability	18	91	(353)
Transfer from share based payment reserve		1	2
Other movements		1	3
Balance at the end of the year		**4,950**	**4,196**
Other Reserves:			
Available for sale reserve			
Balance at the beginning of the year		600	467
Net changes in fair value		143	342
Transfer to income statement (pre tax)			
- Asset disposal	10	(207)	(192)
- Amortisation	4	(11)	-
Deferred tax on reserve movements		(6)	(17)
Balance at the end of the year		**519**	**600**
Cash flow hedge reserve			
Balance at the beginning of the year		205	46
Changes in fair value		(316)	(287)[1]
Transfer to income statement (pre tax)			
- Net trading expense (foreign exchange)		321	551[1]
- Net interest income	4	(63)	(81)
Deferred tax on reserve movements		13	(24)
Balance at the end of the year		**160**	**205**

[1] *Comparative figures have been adjusted in the cash flow hedge reserve resulting in a change of €162 million in 'changes in fair value' with an offsetting increase in 'transfer to income statement'.*

Consolidated statement of changes in equity for the year ended 31 December 2015 (continued)

	Note	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Foreign exchange reserve			
Balance at the beginning of the year		(532)	(807)
Exchange adjustments during the year		249	275
Transfer to income statement on liquidation of non-trading entities	17	6	-
Balance at the end of the year		**(277)**	**(532)**
Capital contribution		**116**	**116**
Capital reserve			
Balance at the beginning of the year		480	574
Transfer from / (to) retained earnings		22	(94)
Balance at the end of the year		**502**	**480**
Share based payment reserve			
Balance at the beginning of the year		1	3
Transfer to retained earnings		(1)	(2)
Balance at the end of the year		**-**	**1**
Revaluation reserve			
Balance at the beginning of the year		6	5
Revaluation of property		14	1
Deferred tax on reserve movements		(3)	-
Balance at the end of the year		**17**	**6**
Reserve for 2009 Preference Stock to be redeemed			
Balance at the beginning of the year		-	-
Redemption of 2009 Preference Stock	46	(1,297)	-
Balance at the end of the year		**(1,297)**	**-**
Total other reserves		**(260)**	**876**
Own stock held for the benefit of life assurance policyholders			
Balance at the beginning of the year		(12)	(13)
Changes in value and amount of stock held		1	1
Balance at the end of the year		**(11)**	**(12)**
Total stockholders' equity excluding other equity instruments and non-controlling interests		**8,372**	**8,753**
Other equity instruments			
Balance at the beginning of the year		-	-
Issue of other equity instruments	47	740	-
Balance at the end of the year		**740**	**-**
Non-controlling interests			
Balance at the beginning of the year		(6)	(6)
Share of net profit		7	-
Balance at the end of the year		**1**	**(6)**
Total equity		**9,113**	**8,747**

Consolidated cash flow statement
for the year ended 31 December 2015

	Note	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Cash flows from operating activities			
Profit before tax		1,232	920
Share of results of associates and joint ventures	16	(46)	(92)
(Profit) / loss on disposal / liquidation of business activities	17	(51)	4
Depreciation and amortisation	12	130	118
Impairment charges on financial assets	15	296	472
Reversal of impairment on property	12	(6)	(9)
Revaluation of investment property	32	(80)	(94)
Gain on sale of assets classified as held for sale	27	(23)	-
Interest expense on subordinated liabilities		218	200
Charge for pension and similar obligations	12	158	138
Impact of amendments to defined benefit pension schemes	12	(4)	(93)
Loss on liability management exercises	10	1	5
(Gains) / charges arising on the movement in credit spreads on the Group's own debt and deposits accounted for at 'fair value through profit or loss'	8	(11)	10
Net change in accruals and interest payable		(148)	(220)
Net change in prepayments and interest receivable		63	38
Other non-cash items		12	(191)
Cash flows from operating activities before changes in operating assets and liabilities		**1,741**	**1,206**
Net change in items in the course of collection from other banks		5	163
Net change in trading securities		9	240
Net change in derivative financial instruments		220	512
Net change in other financial assets at fair value through profit or loss		(752)	(1,222)
Net change in loans and advances to banks		288	132
Net change in loans and advances to customers		(762)	4,048
Net change in NAMA senior bonds		968	1,602
Net change in other assets		70	(257)
Net change in deposits from banks		(2,916)	(8,381)
Net change in customer accounts		3,691	(886)
Net change in debt securities in issue		(2,881)	1,308
Net change in liabilities to customers under investment contracts		49	220
Net change in insurance contract liabilities		485	1,416
Net change in other operating liabilities		(362)	(518)
Net cash flow from operating assets and liabilities		**(1,888)**	**(1,623)**
Net cash flow from operating activities before tax		**(147)**	**(417)**
Tax paid		(67)	(25)
Net cash flow from operating activities		**(214)**	**(442)**
Investing activities (section a below)		1,772	(345)
Financing activities (section b below)		361	(253)
Effect of exchange translation and other adjustments[1]		(401)	(257)
Net change in cash and cash equivalents		**1,518**	**(1,297)**
Opening cash and cash equivalents	48	9,457	10,754
Closing cash and cash equivalents	48	**10,975**	**9,457**

[1] *The presentation of foreign exchange translation adjustments in the Consolidated cash flow statement has been amended to more closely reflect how foreign exchange is managed by the Group.*

Consolidated cash flow statement for the year ended 31 December 2015 (continued)

	Note	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
(a) Investing activities			
Additions to available for sale financial assets	23	(2,648)	(3,844)
Disposal / redemption of available for sale financial assets	23	4,309	3,220
Additions to property, plant and equipment	33	(23)	(25)
Disposal of property, plant and equipment	33	2	2
Additions to intangible assets	31	(202)	(112)
Disposal of investment property	32	34	140
Additions to investment property	32	(80)	(57)
Disposal of assets held for sale		158	-
Dividends received from joint ventures	30	48	36
Proceeds received from joint ventures	30	124	-
Additions to joint ventures	30	(15)	-
Net change in interest in associates		8	72
Net proceeds from disposal of business activity		57	223
Cash flows from investing activities		**1,772**	**(345)**
(b) Financing activities			
Net proceeds from issue of new subordinated liabilities		-	750
Interest paid on subordinated liabilities		(192)	(159)
Dividend paid on 2009 Preference Stock and other preference equity interests		(141)	(141)
Consideration paid in respect of liability management exercises		(46)	(703)
Net proceeds from the issue of other equity instruments	47	740	-
Cash flows from financing activities		**361**	**(253)**

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1 Group accounting policies

Accounting policies index

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1 Group accounting policies (continued)

Basis of preparation

The financial statements comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Bank balance sheets, the Consolidated and Bank statements of changes in equity, the Consolidated and Bank cash flow statements, the notes to the Consolidated financial statements on pages 175 to 294 and notes to the Bank financial statements on pages 301 to 347.

The financial statements include the information that is described as being an integral part of the audited financial statements contained in:
(i) Sections 3.1, 3.2, 3.3, 3.4 and 4 of the Risk Management Report as described further on the bottom of page 60;
(ii) the Remuneration Report as described further on page 151; and
(iii) Other Information - Group exposures to selected countries as described further on the top of page 348.
The financial statements also include the tables in Other Information - Supplementary Asset Quality Disclosures that are described as being an integral part of the audited financial statements as described further on the top of page 359.

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and with those parts of the Companies Act 2014 applicable to companies reporting under IFRS and with the European Union (Credit Institutions: Financial Statements) Regulations, 2015. The EU adopted version of IAS 39 currently relaxes some of the hedge accounting rules in IAS 39 'Financial Instruments - Recognition and Measurement'. The Group has not availed of this, hence these financial statements comply with both IFRS as adopted by the EU and IFRS as issued by the IASB.

The financial statements have been prepared under the historical cost convention as modified to include the fair valuation of certain financial instruments and land and buildings.

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. A description of the critical estimates and judgements is set out in note 2.

References to the 'State' throughout this document should be taken to refer to the Republic of Ireland, its Government and, where and if relevant, Government departments, agencies and local Government bodies.

Foreign exchange rates used during the year are as follows:

	31 December 2015		31 December 2014	
	Average	**Closing**	Average	Closing
€ / Stg£	0.7259	0.7340	0.8061	0.7789
€ / US$	1.1095	1.0890	1.3285	1.2141

1 Group accounting policies (continued)

Going concern

The time period that the Directors have considered in evaluating the appropriateness of the going concern basis in preparing the financial statements for the year ended 31 December 2015 is a period of twelve months from the date of approval of these financial statements (the 'period of assessment').

In making this assessment, the Directors considered the Group's business, profitability projections, funding and capital plans, under both base and plausible stress scenarios, together with a range of other factors such as the outlook for the Irish economy, taking due account of the availability of collateral to access the Eurosystem along with ongoing developments in the eurozone.

The matters of primary consideration by the Directors are set out below:

Capital
The Group has developed capital plans under base and stress scenarios and the Directors believe that the Group has sufficient capital to meet its regulatory capital requirements throughout the period of assessment.

Funding and liquidity
The Directors have considered the Group's funding and liquidity position and are satisfied that the Group has sufficient funding and liquidity throughout the period of assessment, including sufficient collateral for funding if required from the relevant Monetary Authorities.

Conclusion
On the basis of the above, the Directors consider it appropriate to prepare the financial statements on a going concern basis having concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern over the period of assessment.

1 Group accounting policies (continued)

Adoption of new accounting standards

The Group has not adopted any new standards or amendments to standards during the year ended 31 December 2015.

Comparatives

Comparative figures have been adjusted where necessary, to conform with changes in presentation or where additional analysis has been provided in the current period.

Group accounts

(1) Subsidiaries

Subsidiary undertakings are investees (including structured entities) controlled by the Group. The Group controls an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it controls an investee when facts and circumstances indicate that there are changes to one or more elements of control.

A structured entity is an entity designed so that its activities are not governed by way of voting rights. The Group assesses whether it has control over such entities by considering factors such as the purpose and design of the entity; the nature of its relationship with the entity; and the size of its exposure to the variability of returns from the entity.

Assets, liabilities and results of all Group undertakings have been included in the Group financial statements on the basis of financial statements made up to the end of the financial period.

The existence and effect of potential voting rights are considered when assessing whether the Group controls an investee only if the rights are substantive.

Business combinations

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired, is recorded as goodwill.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. In addition, foreign exchange gains and losses which arise on the retranslation to functional currency of intercompany monetary assets and liabilities are not eliminated.

Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

Upon adoption of IFRS, the Group availed of the exemption not to restate the Group financial statements for any acquisitions or business combinations that took place prior to 1 April 2004.

1 Group accounting policies (continued)

(2) Associates and Joint Ventures

Associates are all entities over which the Group has significant influence, but not control, over the entity's financial and operating decisions, generally accompanying a shareholding of between 20% and 50% of the voting rights.

A joint arrangement is an arrangement of which two or more parties have joint control.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers.

Investments in associates and joint ventures are accounted for by the equity method of accounting and are initially recognised at cost. Under this method, the Group's share of the post-acquisition profits or losses in associates and joint ventures is recognised in the Group's income statement, its share of other comprehensive income is recognised in the Group's other comprehensive income and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate or joint venture.

The Group utilises the venture capital exemption for investments where significant influence is present and the business operates as a venture capital business. These investments are designated at initial recognition at fair value through profit or loss.

Unrealised gains on transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associate / joint venture; unrealised losses are also eliminated on the same basis unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associates and joint ventures includes goodwill (net of any accumulated impairment losses) on acquisition.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in joint operations in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

Accounting policies of associates and joint ventures have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

(3) Non-controlling Interests

Transactions with non-controlling interests where the Group has control over the entity are accounted for using the Economic entity model. This accounting model requires that any surplus or deficit that arises on any transaction(s) with non-controlling interests to dispose of or to acquire additional interests in the entity is settled through equity.

(4) Securitisations

Certain Group undertakings have entered into securitisation transactions in order to finance specific loans and advances to customers.

All financial assets continue to be held on the Group balance sheet, and a liability recognised for the proceeds of the funding transaction, unless:

- the rights to the cash flows have expired or been transferred;
- substantially all the risks and rewards associated with the financial instruments have been transferred outside the Group, in which case the assets are derecognised in full; or
- a significant portion, but not all, of the risks and rewards have been transferred outside the Group. In this case the asset is derecognised entirely if the transferee has the ability to sell the financial asset. Otherwise the asset continues to be recognised only to the extent of the Group's continuing involvement.

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

1 Group accounting policies (continued)

Common control transactions

A business combination involving entities or businesses under common control is excluded from the scope of IFRS 3: Business Combinations. The exemption is applicable where the combining entities or businesses are controlled by the same party both before and after the combination. Where such transactions occur, the Bank, in accordance with IAS 8, uses its judgement in developing and applying an accounting policy that is relevant and reliable. In making this judgement management considers the requirements of IFRS dealing with similar and related issues and the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the framework. Management also considers the most recent pronouncements of other standard setting bodies that use a similar conceptual framework to develop accounting standards, to the extent that these do not conflict with the IFRS framework or any other IFRS or interpretation.

Accordingly the Bank has applied the guidance as set out in FRS 6 'Acquisitions and Mergers' as issued by the Accounting Standards Board. Where the transactions meet the definition of a group reconstruction or achieves a similar result, predecessor accounting is applied. The assets and liabilities of the business transferred are measured in the acquiring entity upon initial recognition at their existing book value in the Group, as measured under IFRS. The Bank incorporates the results of the acquired businesses only from the date on which the business combination occurs.

Foreign currency translation

Items included in the financial statements of each entity of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Consolidated financial statements of the Group and the financial statements of the Bank are presented in euro.

Foreign currency transactions are translated into functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary items, such as equities, held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equities, classified as available for sale, are recognised in other comprehensive income. Exchange differences arising on translation to presentation currency and on consolidation of overseas net investments, are recognised in other comprehensive income.

Assets, liabilities and equity of all the Group entities that have a functional currency different from the presentation currency (foreign operations) are translated at the closing rate at the balance sheet date and items of income and expense are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transactions). All resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity. On disposal of a foreign operation the amount accumulated in the separate component of equity is reclassified from equity to profit or loss. The Group may dispose of its interest in a foreign operation through sale, liquidation, repayment of share capital, abandonment or through loss of control or significant influence.

The Group availed of the exemption to deem all accumulated balances arising from translation of foreign subsidiaries to be nil on transition to IFRS on 1 April 2004.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are recognised in other comprehensive income.

1 Group accounting policies (continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Interest income and expense

Interest income and expense are recognised in the income statement for all instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purposes of measuring the impairment loss. Where the Group revises its estimates of payments or receipts on a financial instrument measured at amortised cost, the carrying amount of the financial instrument (or group of financial instruments) is adjusted to reflect actual and revised estimated cash flows. The Group recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate. The adjustment is recognised in profit or loss as income or expense.

Fee and commission income

Fees and commissions which are not an integral part of the effective interest rate of a financial instrument are generally recognised as the related services are provided. Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts usually on a time apportioned basis. Asset management fees related to investment funds are recognised rateably over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Loan commitment fees for loans that are likely to be drawn down, are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan once drawn.

Operating profit / loss

Operating profit / loss includes the Group’s earnings from ongoing activities after impairment charges on financial assets, and before share of profit or loss on associates and joint ventures (after tax) and profit / loss on disposal / liquidation of business activities.

1 Group accounting policies (continued)

Leases

(1) A Group company is the lessee

The total payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in long-term payables. The interest element of the finance costs is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(2) A Group company is the lessor

When assets are held under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is included within net interest income and is recognised over the term of the lease reflecting a constant periodic rate of return on the net investment in the lease.

Financial assets

(1) Classification, Recognition and Measurement

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held to maturity and available for sale financial assets. The Group determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss can either be held for trading, if acquired principally for the purpose of selling in the short-term, or designated at fair value through profit or loss at inception.

A financial asset may be designated at fair value through profit or loss only when:

(i) it eliminates or significantly reduces a measurement or recognition inconsistency, (an accounting mismatch), that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on a different basis; or

(ii) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with documented risk management or investment strategy; or

(iii) a contract contains one or more embedded derivatives that significantly changes the cash flows of the contract and the separation of the embedded derivative(s) is not prohibited.

The principal category of assets designated at fair value through profit or loss are those held by the Group's life assurance business, which are managed on a fair value basis.

Regular way purchases and sales of financial assets at fair value through profit or loss are recognised on trade date: the date on which the Group commits to purchase or sell the asset. Thereafter they are carried on the balance sheet at fair value, with all changes in fair value included in the income statement.

Financial assets may not be transferred out of this category, except for non-derivative financial assets held for trading, which may be transferred out of this category where:

(i) in rare circumstances, they are no longer held for the purpose of selling or repurchasing in the short-term; or

(ii) they are no longer held for trading, they meet the definition of loans and receivables at the date of reclassification and the Group has the intention and ability to hold the assets for the foreseeable future or until maturity.

1 Group accounting policies (continued)

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

Loans are recorded at fair value plus transaction costs when cash is advanced to the borrowers. They are subsequently accounted for at amortised cost using the effective interest method.

(c) Held to Maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity, other than:

- those that the Group upon initial recognition designates as at fair value though profit or loss;
- those that the Group designates as available for sale; and
- those that meet the definition of loans and receivables.

Purchases and sales of held to maturity investments are recorded on trade date. They are initially recognised at fair value plus transaction costs and are subsequently accounted for at amortised cost using the effective interest method.

A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments to available-for-sale financial assets.

(d) Available for sale

Available for sale financial assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Purchases and sales of available for sale financial assets are recognised on trade date. They are initially recognised at fair value plus transaction costs. Fair value movements are recognised in other comprehensive income. Interest is calculated using the effective interest method and is recognised in the income statement.

If an available for sale financial asset is derecognised or impaired the cumulative gain or loss previously recognised in other comprehensive income is reclassified to the income statement.

Dividends on available for sale equity instruments are recognised in the income statement when the Group's right to receive payment is established.

Available for sale financial assets that would have met the definition of loans and receivables may be reclassified to loans and receivables if the Group has the intention and ability to hold the asset for the foreseeable future or until maturity.

Available for sale financial assets may be reclassified to held to maturity if there is a change in intention or ability to hold those assets to maturity.

When a financial asset is reclassified, the fair value of the asset on that date becomes its new amortised cost. Any previous gain or loss on the asset that has been recognised in other comprehensive income is amortised to profit or loss over the remaining life of the asset using the effective interest method. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest method.

(2) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

1 Group accounting policies (continued)

Financial liabilities

The Group has two categories of financial liabilities: those that are carried at amortised cost and those that are carried at fair value through profit or loss. Financial liabilities are initially recognised at fair value, (normally the issue proceeds i.e. the fair value of consideration received) less, in the case of financial liabilities subsequently carried at amortised cost, transaction costs. For liabilities carried at amortised cost, any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the income statement using the effective interest method.

Preference shares which carry a mandatory coupon are classified as financial liabilities. The dividends on these preference shares are recognised in the income statement as interest expense using the effective interest method.

A liability may be designated as at fair value through profit or loss only when:
- it eliminates or significantly reduces a measurement or recognition inconsistency, (an accounting mismatch), that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on a different basis; or
- a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with documented risk management or investment strategy; or
- a contract contains one or more embedded derivatives that significantly changes the cash flows of the contract and the separation of the embedded derivative(s) is not prohibited.

The Group designates certain financial liabilities at fair value through profit or loss as set out in note 54 to the financial statements. Financial liabilities are derecognised when they are extinguished, that is when the obligation is discharged, cancelled or expires.

Valuation of financial instruments

The Group recognises trading securities, other financial assets and liabilities designated at fair value through profit or loss, derivatives and available for sale financial assets at fair value in the balance sheet. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date.

The fair values of financial assets and liabilities traded in active markets are based on unadjusted bid and offer prices respectively. If an active market does not exist, the Group establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. To the extent possible, these valuation techniques use observable market data. Where observable data does not exist, the Group uses estimates based on the best information available.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price in an arm's length transaction, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique which uses only observable market inputs. When such evidence exists, the initial valuation of the instrument may result in the Group recognising a profit on initial recognition. In the absence of such evidence, the instrument is initially valued at the transaction price. Any day one profit is deferred and recognised in the income statement to the extent that it arises from a change in a factor that market participants would consider in setting a price. Straight line amortisation is used where it approximates to that amount. Subsequent changes in fair value are recognised immediately in the income statement without the reversal of deferred day one profits or losses.

Where a transaction price in an arm's length transaction is not available, the fair value of the instrument at initial recognition is measured using a valuation technique.

For liabilities designated at fair value through profit or loss, the fair values reflect changes in the Group's own credit spread.

The fair values of the Group's financial assets and liabilities are disclosed within note 55 together with a description of the valuation technique used for each asset or liability category. For assets or liabilities recognised at fair value on the balance sheet, a description is given of any inputs into valuation models that have the potential to significantly impact the fair value, together with an estimate of the impact of using reasonably possible alternative assumptions.

1 Group accounting policies (continued)

Transfers between levels of the fair value hierarchy
The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred. The Group provides these disclosures in note 55.

Sale and repurchase agreements and lending of assets

Assets sold subject to repurchase agreements (repos) are retained on the balance sheet and reclassified as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in deposits by banks or customer accounts, as appropriate.

Securities purchased under agreements to resell (reverse repos) are treated as collateralised loans and recorded as loans and advances to banks or customers, as appropriate.

The difference between sale and repurchase price is treated as interest and recognised in the income statement over the life of the agreement using the effective interest method.

Securities lent to counterparties are also retained on the balance sheet. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return the securities is recorded at fair value as a trading liability.

Issued debt and equity securities

The classification of instruments as a financial liability or an equity instrument is dependent upon the substance of the contractual arrangement. Instruments which carry a contractual obligation to deliver cash or another financial asset to another entity are classified as financial liabilities. The coupons on these instruments are recognised in the income statement as interest expense using the effective interest method. Where the Group has absolute discretion in relation to the payment of coupons and repayment of principal, the instrument is classified as equity and any coupon payments are classified as distributions in the period in which they are made.

If the Group purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of the liability and the consideration paid is included in other operating income, net of any costs or fees incurred.

Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which the contract is entered into and are subsequently remeasured at their fair value at each balance sheet date. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Certain derivatives embedded in other financial instruments are separated from the host contract and accounted for as derivatives, when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss.

Fair value gains or losses on derivatives are normally recognised in the income statement. However where they are designated as hedging instruments, the treatment of the fair value gains and losses depends on the nature of the hedging relationship.

The Group designates certain derivatives as either:
(i) hedges of the exposure to changes in the fair value of recognised assets or liabilities that is attributable to a particular risk (fair value hedge); or
(ii) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction (cash flow hedge).

1 Group accounting policies (continued)

Hedge accounting is applied to these derivatives provided certain criteria are met. The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Where a hedging instrument is novated to a clearing counterparty, the Group does not discontinue hedge accounting where the following criteria are met:

- the novation arises due to laws or regulations, or the introduction of laws and regulations;
- the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and
- the novation does not result in changes to the terms of the original instrument except for those changes necessary to effect the change in counterparty.

(a) Fair value hedge (micro)

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The hedged item in a micro fair value hedge is a single specified item e.g. a fixed rate commercial loan or an AFS bond. If the criteria for hedge accounting cease to be met, no further adjustments are made to the hedged item for fair value changes attributable to the hedged risk. The cumulative adjustment to the carrying amount of a hedged item is amortised to profit or loss over the period to maturity using the effective interest method.

(b) Fair value hedge (macro)

Similar to micro fair value hedging, changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The hedged item in a macro fair value hedge is a pool of assets or liabilities with similar risk characteristics and profiles, such as a pool of fixed rate mortgages. Unlike micro fair value hedge accounting, macro fair value hedge accounting is not discontinued if an individual asset or liability within the pool of hedged items is sold, so long as the overall pool of hedged items retains its characteristics as documented at inception of the hedge. In addition, hedge effectiveness testing is performed on a portfolio basis rather than on an individual hedge relationship by hedge relationship basis.

If the criteria for hedge accounting cease to be met, no further adjustments are made to the hedged item for fair value changes attributable to the hedged risk. The cumulative adjustment to the carrying amount of a hedged item is amortised to profit or loss over the period to maturity using the effective interest method.

(c) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in other comprehensive income are reclassified to the income statement in the periods in which the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised in the income statement when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately reclassified to the income statement.

1 Group accounting policies (continued)

Impairment of financial assets

Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

(i) delinquency in contractual payments of principal or interest;
(ii) cash flow difficulties;
(iii) breach of loan covenants or conditions;
(iv) deterioration of the borrower's competitive position;
(v) deterioration in the value of collateral;
(vi) external rating downgrade below an acceptable level;
(vii) initiation of bankruptcy proceedings; and
(viii) granting a concession to a borrower, for economic or legal reasons relating to the borrower's financial difficulty that would otherwise not be considered.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and advances has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

1 Group accounting policies (continued)

When a loan is deemed uncollectable, it is derecognised and the provision for impairment is utilised. Subsequent recoveries decrease the amount of the charge for loan impairment in the income statement.

Forbearance

Forbearance occurs when a borrower is granted a temporary or permanent concession or an agreed change ('forbearance measure') to a loan for reasons relating to the actual or apparent financial stress or distress of that borrower. Forbearance has not occurred if the concession or agreed change to a loan granted to a borrower is not related to the actual or apparent financial stress or distress of that borrower.

Prior to any decision to grant forbearance the Group performs an assessment of a customer's financial circumstances and ability to repay. This assessment includes an individual assessment for impairment of the loan. If the Group determines that no objective evidence of impairment exists for an individually assessed forborne asset, whether significant or not, it includes the asset in a group of loans with similar credit risk characteristics and collectively assesses them for impairment.

Where the forborne loan is considered to be impaired the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate before the modification of terms. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a forborne asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract before the modification of terms. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

Where a forborne loan in the non-mortgage book is subject to forbearance and no specific provision is required, the asset is reported as forborne. However, where a specific provision is required the asset is reported as impaired and is not reported as forborne. For Residential mortgages, exposures that are subject to forbearance and have a specific provision are reported as both forborne and impaired.

Assets to which forbearance has been applied continue to be reported as forborne until the forbearance measure expires or the asset is repaid.

Where the cash flows from a forborne loan are considered to have expired, the original asset is derecognised and a new asset is recognised, initially measured at fair value. Any difference between the carrying value of the original asset and the fair value of the new asset on initial recognition is recognised in the income statement. Interest accrues on the new asset based on the current market rates in place at the time of the renegotiation.

Non-forbearance renegotiation

Where a concession or agreed change to a loan is not directly linked to apparent financial stress or distress, these amendments are not considered forbearance. Any changes in expected cash flows are accounted for under IAS 39 i.e. the carrying amount of the asset is adjusted to reflect any change to estimated cash flows discounted at the original effective interest rate, before the modification of terms. If a renegotiated asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. Any difference between the asset's carrying amount and the present value of estimated future cash flows is reflected in the income statement. However, where cash flows on the original asset have been considered to have expired, the original asset is derecognised and a new asset is recognised at fair value. Any difference arising between the derecognised asset and the new asset is recognised in the income statement.

Available for sale financial assets

The Group assesses at each balance sheet date whether there is objective evidence that an available for sale financial asset is impaired. In addition to the factors set out above, a significant or prolonged decline in the fair value of an investment in an available for sale equity instrument below its cost is considered in determining whether an impairment loss has been incurred. If an impairment loss has been incurred, the cumulative loss that had been recognised in other comprehensive income is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

1 Group accounting policies (continued)

Property, plant and equipment

Freehold land and buildings are initially recognised at cost, and subsequently are revalued annually to fair value by independent external valuers. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from the open market value at the balance sheet date.

All other property, plant and equipment, including freehold and leasehold adaptations, are stated at historical cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on the revaluation of land and buildings, are recognised in other comprehensive income. Decreases that offset previous increases on the same asset are recognised in other comprehensive income: all other decreases are charged to the income statement.

The Directors consider that residual values of freehold and long leasehold property based on prices prevailing at the time of acquisition or subsequent valuation are such that depreciation is not material.

Depreciation is calculated on the straight line method to write down the carrying value of other items of property, plant and equipment to their residual values over their estimated useful lives as follows:
- adaptation works on freehold and leasehold property - fifteen years, or the remaining period of the lease; and
- computer and other equipment - maximum of ten years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount. The estimated recoverable amount is the higher of the asset's fair value less costs to sell or its value in use.

Gains and losses on the disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining profit before tax. If the asset being disposed of had previously been revalued then any amount in other comprehensive income relating to that asset is reclassified directly to retained earnings on disposal rather than the income statement.

Investment property

Property held for long-term rental yields and capital appreciation is classified as investment property. Investment property comprises freehold and long leasehold land and buildings. It is carried at fair value in the balance sheet based on annual revaluations at open market value and is not depreciated. Changes in fair values are recorded in the income statement. Rental income from investment properties is recognised as it becomes receivable over the term of the lease.

Intangible assets

(a) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives, which is normally five years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group and which will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development, employee costs and an appropriate portion of relevant overheads.

1 Group accounting policies (continued)

Computer software development costs recognised as assets are amortised using the straight line method over their useful lives, which is normally between five and ten years.

Computer software is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount. The estimated recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

(b) Other intangible assets

Other intangible assets are carried at cost less amortisation and impairment, if any, and are amortised on a straight line basis over their useful lives, which range from five years to twenty years, and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount. The estimated recoverable amount is the higher of the asset's fair value less costs to sell or its value in use.

Assets and liabilities classified as held for sale

An asset or a disposal group is classified as held for sale if the following conditions are met:

- its carrying amount will be recovered principally through sale rather than continuing use;
- it is available for immediate sale; and
- the sale is highly probable within the next twelve months.

When an asset (or disposal group) is initially classified as held for sale, it is measured at the lower of its carrying amount or fair value less costs to sell at the date of classification, except for deferred tax assets, financial assets, investment properties, insurance contracts and assets arising from employee benefits, which are measured in accordance with the accounting policies applied to those assets prior to their classification as held for sale.

Impairment losses on initial classification of an asset (or disposal group) as held for sale, and on subsequent remeasurement of the asset (or disposal group), are recognised in the income statement. Increases in fair value less costs to sell of an asset (or disposal group) that have been classified as held for sale are recognised in the income statement to the extent that the increase is not in excess of any cumulative impairment loss previously recognised in respect of the asset (or disposal group).

Impairment losses are allocated to non-current assets within the measurement scope of IFRS 5 and the amount of impairment losses recognised in the financial statements is limited to the carrying value of those assets. Other assets and liabilities are measured in accordance with applicable IFRSs in both initial and subsequent measurement of the asset (or disposal group) held for sale. As a result, in accordance with IFRS 5 any impairment losses in excess of the carrying value of the non-current assets within the measurement scope of IFRS 5 are not recognised until disposal.

When an asset (or disposal group) is classified as held for sale, amounts presented in the balance sheet for the prior period are not reclassified.

Where the criteria for the classification of an asset (or disposal group) as held for sale cease to be met, the asset (or disposal group) is reclassified out of held for sale and included in the appropriate balance sheet headings.

A discontinued operation is a cash-generating unit or a group of cash-generating units that either has been disposed of, or is classified as held for sale, and (a) represents a separate major line of business or geographical area of operations, (b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or (c) is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are shown as a single amount on the face of the income statement comprising the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised either on measurement to fair value less costs to sell or on the disposal of the discontinued operation.

1 Group accounting policies (continued)

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provision is made for the anticipated costs of restructuring, including related redundancy costs, when an obligation exists. An obligation exists when the Group has a detailed formal plan for restructuring a business and has raised valid expectations in those affected by the restructuring by starting to implement the plan or announcing its main features. A levy payable to a Government is provided for on the occurrence of the event identified by the legislation that triggers the obligation to pay the levy.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless the probability of their occurrence is remote.

Employee benefits

(a) Pension obligations

The Group operates various pension schemes. The schemes are funded and the assets of the schemes are held in separate trustee administered funds. The Group has both defined contribution and defined benefit plans. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees' benefits relating to employee service in the current and prior periods.

The asset or liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Service cost and net interest on the net defined benefit liability / (asset) are recognised in profit or loss, within operating expenses.

Remeasurements of the net defined benefit liability / (asset), including:

- actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions; and
- the return on plan assets, excluding amounts included in net interest on the net defined benefit liability / (asset);

are recognised in other comprehensive income.

Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment, and is recognised as an expense at the earlier of:

- when the plan amendment or curtailment occurs; and
- when the Group recognises related restructuring costs or termination benefits.

Past service cost and settlements are recognised within operating expenses unless they meet the criteria for separate presentation as set out in IAS 1.

A plan amendment occurs when the Group introduces, or withdraws, a defined benefit plan, or changes the benefits payable under an existing plan. A curtailment occurs when the Group significantly reduces the number of employees covered by a plan. Past service cost may be either positive or negative. A settlement is a transaction that eliminates all further legal and constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions

1 Group accounting policies (continued)

For defined contribution plans, once the contributions have been paid, the company has no further payment obligations. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Equity compensation benefits

The Group has a number of equity settled share based payment schemes. The fair value at the date of grant of the employee services received in exchange for the grant of the options or shares is recognised as an expense. The total amount to be expensed over the vesting period is determined on the date the options or shares are granted by reference to their fair value, excluding the impact of any non-market vesting conditions (for example, growth in EPS). Non-market vesting conditions are included in assumptions about the number of options or shares that are expected to vest. At each balance sheet date, the Group revises its estimate of the number of options or shares that are expected to vest. It recognises the impact of the revision of the original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

Where an option is cancelled, the Group immediately recognises, as an expense, the amount of the expense that would have otherwise been recognised over the remainder of the vesting period. When options are exercised, new shares are issued.

The fair value of the options granted is determined using option pricing models, which take into account the exercise price of the option, the current share price, the risk free interest rate, the expected volatility of the share price over the life of the option and other relevant factors.

Upon transition to IFRS, the Group availed of the exemption only to apply IFRS 2 to share based payments which were granted on or after 7 November 2002 that had not yet vested by 1 January 2005.

(c) Short-term employee benefits

Short-term employee benefits, such as salaries and other benefits, are accounted for on an accruals basis over the period in which the employees' service is rendered. Bonuses are recognised where the Group has a legal or constructive obligation to employees that can be reliably measured.

(d) Termination payments

Termination payments are recognised as an expense at the earlier of:

- when the Group can no longer withdraw the offer of those benefits; and
- when the Group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

For this purpose, in relation to termination benefits for voluntary redundancies, the Group is considered to be no longer able to withdraw the offer on the earlier of the following dates:

- when the employee accepts the offer; and
- when a restriction (e.g. a legal, regulatory or contractual requirement) on the Group's ability to withdraw the offer takes effect.

Termination benefits are recognised within operating expenses unless they meet the criteria for separate presentation as set out in IAS 1.

The Group measures termination benefits on initial recognition, and measures and recognises subsequent changes, in accordance with the nature of the benefit.

Income taxes

(a) Current income tax

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Tax provisions are provided on a transaction by transaction basis using a best estimate approach.

1 Group accounting policies (continued)

(b) *Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised and by reference to the expiry dates (if any) of the relevant unused tax losses or tax credits. Deferred tax assets and liabilities are not discounted.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax on items taken to other comprehensive income is also recognised in other comprehensive income and is subsequently reclassified to the income statement together with the deferred gain or loss.

(c) *Investment tax credits*

Investment tax credits are not recognised until there is reasonable assurance that: (a) the Group has complied with the conditions attaching to them; and (b) the credits will be received. They are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the credits are intended. Investment tax credits related to assets are presented in the balance sheet by deducting the grant in arriving at the carrying amount of the asset.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and balances with central banks and banks which can be withdrawn on demand. It also comprises balances with an original maturity of less than three months.

Capital stock and reserves

(1) *Equity transaction costs*

Incremental external costs directly attributable to equity transactions, including the issue of new equity stock or options, are shown as a deduction from equity, net of tax.

(2) *Dividends on ordinary stock and preference stock*

Dividends on ordinary stock and preference stock are recognised in equity in the period in which they are approved by the Bank's stockholders or the Court of Directors, as appropriate.

(3) *Treasury stock*

Where the Bank or its subsidiaries purchase the Bank's equity capital stock, the consideration paid is deducted from total stockholders' equity as treasury stock until they are cancelled. Where such stock is subsequently sold or reissued, any consideration received is included in stockholders' equity. Any changes in the value of treasury stock held are recognised in equity at the time of the disposal and dividends are not recognised as income or distributions. This is particularly relevant in respect of Bank of Ireland stock held by Bank of Ireland Life for the benefit of policyholders.

(4) *Capital Reserve*

The capital reserve represents transfers from retained earnings and other reserves in accordance with relevant legislation. The capital reserve is not distributable.

1 Group accounting policies (continued)

(5) Foreign exchange reserve

The foreign exchange reserve represents the cumulative gains and losses on the translation of the Group's net investment in its foreign operations since 1 April 2004. Gains and losses accumulated in this reserve are reclassified to the income statement when the Group loses control, joint control or significant influence over the foreign operation or on disposal or partial disposal of the operation.

(6) Revaluation reserve

The revaluation reserve represents the cumulative gains and losses on the revaluation of property occupied by Group businesses, included within property, plant and equipment and non-financial assets classified as held for sale. The revaluation reserve is not distributable.

(7) Available for sale reserve

The available for sale reserve represents the cumulative change in fair value of available for sale financial assets together with the impact of any fair value hedge accounting adjustments.

(8) Cash flow hedge reserve

The cash flow hedge reserve represents the cumulative changes in fair value, excluding any ineffectiveness, of cash flow hedging derivatives. These are transferred to the income statement when the hedged transactions impact the Group’s profit or loss.

(9) Share based payment reserve

The share based payment reserve represents amounts expensed in the income statement in connection with share based payments, net of transfers to retained earnings on the exercise, lapsing or forfeiting of share awards.

(10) Capital contribution

Where a financial instrument is issued by the Group to a party acting in its capacity as a stockholder, a portion of the proceeds received, equal to the initial fair value of the financial instrument, is considered to be consideration for the issuance of the financial instrument, with any amount received in excess of this considered to be a capital contribution from the stockholder, and credited directly to this reserve.

(11) Stock premium account

Where, pursuant to Section 84 of the Companies Act 2014, there has been a reduction of the Bank’s share capital by the cancellation of stock premium, the resulting profits available for distribution, as defined by Section 117 of the Companies Act 2014, are reclassified from the stock premium account to retained earnings.

(12) Reserve for 2009 Preference Stock to be redeemed

The Reserve for 2009 Preference Stock to be redeemed represents the reduction in Stockholders’ equity arising on the recognition on 23 November 2015 of the liability to redeem the 2009 Preference Stock. On 4 January 2016, the Group completed the redemption of the 2009 Preference Stock and the resulting impact on the reserve is set out in note 46.

Life assurance operations

In accordance with IFRS 4, the Group classifies all life assurance products as either insurance or investment contracts for accounting purposes.

Insurance contracts are those contracts that transfer significant insurance risk. These contracts are accounted for using an embedded value basis.

Investment contracts are accounted for in accordance with IAS 39. All of the Group’s investment contracts are unit linked in nature. These contracts are accounted for as financial liabilities whose value is contractually linked to the fair value of the financial assets within the policyholders’ unit linked funds. The value of the unit linked financial liabilities is determined using current unit prices multiplied by the number of units attributed to the contract holders at the balance sheet date. Their value is never less than the amount payable on surrender, discounted for the required notice period where applicable.

The Group recognises an asset for deferred acquisition costs relating to investment contracts. Upfront fees received for investment management services are deferred. These amounts are amortised over the period of the contract.

1 Group accounting policies (continued)

Non-unit linked insurance liabilities are calculated using either a gross premium or net premium method of valuation. The assumptions are also set in accordance with the guidelines in the Insurance Regulations and contain a margin for adverse development. The key assumptions used in the valuation of insurance contract liabilities are:

Interest rate	The interest rates are derived in accordance with the guidelines in the Insurance Regulations. Margins for risk are allowed for in the derived interest rates.
Mortality and morbidity	The mortality and morbidity assumptions, which include an allowance for improvements in longevity for annuitants, are set with regard to the Group's actual experience and / or relevant industry data.
Maintenance expenses	Allowance is made for future policy costs and expense inflation explicitly.

The Group recognises the value of in force life assurance business asset as the present value of future profits expected to arise from contracts classified as insurance contracts under IFRS 4. The asset has been calculated in accordance with the embedded value achieved profits methodology in the Statement of Recommended Practice issued by the Association of British Insurers which came into force in 2002. The asset is determined by projecting the future statutory surpluses attributable to stockholders estimated to arise from insurance contracts. The surpluses are projected using appropriate assumptions as to future investment returns, persistency, mortality and expense levels and include consideration of guarantees and options. These surpluses are then discounted at a risk adjusted rate. Thus, the use of best estimate assumptions in the valuation of the value of in force asset ensures that the net carrying amount of insurance liabilities less the value of in force asset is adequate.

The value of in force asset in the consolidated balance sheet and movements in the asset in the income statement are presented on a gross of tax basis. The tax charge comprises both current and deferred tax expense and includes tax attributable to both stockholders and policyholders for the period.

Premiums and claims

Premiums receivable in respect of non-unit linked insurance contracts are recognised as revenue when due from policyholders.

Premiums received in respect of unit linked insurance contracts are recognised in the same period in which the related policyholder liabilities are created. Claims are recorded as an expense when they are incurred.

Reinsurance

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group are dealt with as insurance contracts, subject to meeting the significant insurance risk test in IFRS 4. Outward reinsurance premiums are accounted for in accordance with the contract terms when due for payment.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is currently a legally enforceable right of set off and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Collateral

The Group enters into master agreements with counterparties, to ensure that if an event of default occurs, all amounts outstanding with those counterparties will be settled on a net basis. The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customers' assets and gives the Group a claim on these assets for both existing and future liabilities. The collateral is, in general, not recorded on the Group balance sheet.

The Group also receives collateral in the form of cash or securities in respect of other credit instruments, such as stock borrowing contracts and derivative contracts, in order to reduce credit risk. Collateral received in the form of securities is not recorded on the balance sheet. Collateral received in the form of cash is recorded on the balance sheet, with a corresponding liability recognised within deposits from banks or deposits from customers. Any interest payable arising is recorded as interest expense.

1 Group accounting policies (continued)

In certain circumstances, the Group pledges collateral in respect of liabilities or borrowings. Collateral pledged in the form of securities or loans and advances continues to be recorded on the balance sheet. Collateral placed in the form of cash is recorded in loans and advances to banks or customers. Any interest receivable arising is recorded as interest income.

Financial guarantees

Financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities (facility guarantees), and to other parties in connection with the performance of customers under obligations related to contracts, advance payments made by other parties, tenders, retentions and the payment of import duties. Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee is given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned over the period, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantees at the balance sheet date.

Any increase in the liability relating to guarantees is taken to the income statement and recognised on the balance sheet within provisions for undrawn contractually committed facilities and guarantees.

Operating segments

The segment analysis of the Group's results and financial position is set out in note 3. The Group has identified five reportable operating segments, which are as follows: Retail Ireland, Bank of Ireland Life, Retail UK, Corporate & Treasury and Group Centre.

These segments have been identified on the basis that the chief operating decision-maker uses information based on these segments to make decisions about assessing performance and allocating resources. The analysis of results by operating segment is based on management accounts information.

Transactions between the operating segments are on normal commercial terms and conditions. Internal charges and transfer pricing adjustments have been reflected in the performance of each segment. Revenue sharing agreements are used to allocate external customer revenues to operating segments on a reasonable basis.

Materiality

In its assessment of materiality, the Group considers the impact of any misstatements based on both:

- the amount of the misstatement originating in the current year income statement; and
- the effects of correcting the misstatement existing in the balance sheet at the end of the current year irrespective of the year in which the misstatement occurred.

1 Group accounting policies (continued)

Impact of new accounting standards

The following standards and amendments to standards will be relevant to the Group but were not effective at 31 December 2015 and have not been applied in preparing these financial statements. The Group's initial view of the impact of these accounting changes is outlined below.

Pronouncement	Nature of change	Effective date	Impact
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures'	The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The revised standard is still subject to EU endorsement.	The mandatory effective date has been deferred indefinitely until the IASB research project on the equity method has been concluded.	These amendments are not expected to have a significant impact on the financial position of the Group.
Amendment to IFRS 11 'Joint Arrangements' 'Accounting for Acquisitions of Interests in Joint Operations'	IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. The revised standard was endorsed by the EU on 24 November 2015.	Financial periods beginning on or after 1 January 2016.	This amendment is not expected to have a significant impact on the financial position of the Group.
Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets'	The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The revised standard was endorsed by the EU on 2 December 2015.	Financial periods beginning on or after 1 January 2016.	These amendments are not expected to have a significant impact on the financial position of the Group.
Amendments to IAS 27 'Separate financial statements'	These amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors. The revised standard was endorsed by the EU on 18 December 2015.	Financial periods beginning on or after 1 January 2016.	These amendments are not applicable to the Group and are not expected to have a significant impact on the financial position of the Bank.

1 Group accounting policies (continued)

Pronouncement	Nature of change	Effective date	Impact
Amendments to IAS 1 'Presentation of financial statements' on the disclosure initiative	These amendments are part of the IASB initiative to improve presentation and disclosure in financial reports. The revised standard was endorsed by the EU on 18 December 2015.	Financial periods beginning on or after 1 January 2016.	These amendments are not expected to have a significant impact on the financial position of the Group.
Annual improvements 2014	This set of amendments impacts four standards: • IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal. • IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts. • IAS 19, 'Employee benefits' regarding discount rates. • IAS 34, 'Interim financial reporting' regarding disclosure of information. The revised standard was endorsed by the EU on 15 December 2015.	Financial periods beginning on or after 1 January 2016.	These amendments are not expected to have a significant impact on the financial position of the Group.
IAS 7 , 'Statement of cash flows', - Narrow-scope amendments	The IASB has issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. The standard is still subject to EU endorsement.	Financial periods beginning on or after 1 January 2017.	These amendments are not expected to have a significant impact on the financial position of the Group.
IAS 12, 'Income taxes', - Narrow-scope amendments	The IASB has issued amendments to IAS12 'Income taxes'. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The standard is still subject to EU endorsement.	Financial periods beginning on or after 1 January 2017.	These amendments are not expected to have a significant impact on the financial position of the Group.

1 Group accounting policies (continued)

Pronouncement	Nature of change	Effective date	Impact
IFRS 9 'Financial instruments'	IFRS 9 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI without recycling to the income statement. IFRS 9 contains a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there are no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. The revised standard is still subject to EU endorsement.	Financial periods beginning on or after 1 January 2018.	The Group expects that IFRS 9 is likely to have an impact on its reported financial position and the Group is currently assessing the nature and extent of those impacts. Further detail on the Group's IFRS 9 Programme is set out in the Credit Risk Section of the Risk Management Report.
IFRS 15 'Revenue from Contracts with Customers'	IFRS 15 specifies how and when revenue will be recognised as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The revised standard is still subject to EU endorsement.	Financial periods beginning on or after 1 January 2018.	The Group is currently assessing the nature and extent of the impact of the standard which is not expected to be significant to the financial position of the Group.
IFRS 16 'Leases'	IFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on-balance sheet for lessees. The accounting for lessors will not materially change. The standard replaces IAS 17 'Leases' and related interpretations. The revised standard is still subject to EU endorsement.	Financial periods beginning on or after 1 January 2019 and earlier application is permitted subject to EU endorsement and the entity adopting IFRS 15 'Revenue from contracts with customers' at the same time.	The Group is currently assessing the impact of IFRS 16.

2 Critical accounting estimates and judgements

In preparing the financial statements, the Group makes estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As management judgement involves an estimate of the likelihood of future events, actual results could differ from those estimates, which could affect the future reported amounts of assets and liabilities. The estimates and judgements that have had the most significant effect on the amounts recognised in the Group's financial statements are set out below.

(a) Impairment charges on financial assets

The Group reviews its loan portfolios for impairment on an ongoing basis. The Group first assesses whether objective evidence of impairment exists. This assessment is performed individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Impairment provisions are also recognised for losses not specifically identified but which, experience and observable data indicate, are present in the portfolio at the date of assessment.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio, when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The use of historical loss experience is supplemented with significant management judgement to assess whether current economic and credit conditions are such that the actual level of impairment losses is likely to differ from those suggested by historical experience. In normal circumstances, historical experience provides objective and relevant information from which to assess incurred loss within each portfolio. In other circumstances, historical loss experience provides less relevant information about the incurred loss in a given portfolio at the balance sheet date, for example, where there have been changes in economic conditions such that the most recent trends in risk factors are not fully reflected in the historical information. In these circumstances, such risk factors are taken into account when calculating the appropriate levels of impairment allowances by adjusting the impairment loss derived solely from historical loss experience. The detailed methodologies, areas of estimation and judgement applied in the calculation of the Group's impairment charge on financial assets are set out in the credit risk methodologies section on pages 95 to 102 of the risk management report.

At 31 December 2015, the Retail Ireland Residential mortgage portfolio before impairment provisions amounted to €25 billion (31 December 2014: €26 billion), against which the Group held provisions for impairment of €1.2 billion (31 December 2014: €1.5 billion), which comprised of collectively assessed provisions of €0.6 billion and individually assessed provisions of €0.6 billion. A key assumption used in the calculation of the impairment charge for Retail Ireland Residential mortgages is the value of the underlying residential properties securing the loans (i.e. the 'assumed value' for collective provisioning purposes).

As set out on page 98, at 31 December 2015, the assumption adopted by the Group in respect of the value of Irish residential properties for collective provisioning (i.e. collective specific and IBNR provisioning) reflected the indexed value[1] discounted (i.e. adjusted downwards) by 10% for both Dublin and Non-Dublin properties. The discounted index value was then further adjusted downwards for forced sale discount and disposal cost assumptions to estimate the assumed value of the underlying residential properties for collective provisioning purposes. The 'Forced sale discount' assumptions, segmented by both region and market segment, estimate the difference between the discounted indexed value of the underlying residential properties securing the loans and the expected sales price, based on the Group's most recent property sales experience. The disposal costs assumptions reflect the estimated costs associated with selling the underlying residential properties,

In addition to containing judgements in relation to the assumed value of residential properties for provisioning, the Retail Ireland Residential mortgage collective mortgage impairment charges contain key assumptions relating to: 'time to sale'; 'loss emergence periods'; 'weighted average cure rates'; and 'weighted average repayment rates'. The assumptions relating to the assumed value of underlying properties securing the loans, together with all other key collective impairment provisioning model factors, continue to be reviewed as part of the Group's year end and half year financial reporting cycle.

The collective impairment charges on the Retail Ireland mortgage portfolio can be sensitive to movements in any one of these assumptions, or a combination thereof. The sensitivities and estimated impacts set out below are based on movements in each of these individual assumptions in isolation.

[1] *Indexed value with reference to end September 2015 CSO residential property price index for 'Dublin – all residential properties' and 'National excluding Dublin – all residential properties'.*

2 Critical accounting estimates and judgements (continued)

- A 1% decrease in the discounted index values would give rise to estimated additional collective impairment provisions of c.€9 million to €12 million;
- A 1% increase in the 'forced sale discount' assumptions would give rise to estimated additional collective impairment provisions of c.€6 million to €8 million;
- A 1% increase in the 'disposal costs' assumption would give rise to estimated additional collective impairment provisions of c.€6 million to €8 million;
- An increase of three months in the 'time to sale' assumption (being an estimate of the period of time taken from the recognition of the impairment charge to the sale of the underlying residential properties securing the loans) would give rise to estimated additional collective impairment provisions of c.€4 million to €5 million;
- An increase of one month in the assumed 'loss emergence period' (i.e. the period of time between the occurrence and reporting of a loss event) would give rise to estimated additional collective impairment provisions of c.€2 million;
- A 1% increase in the 'weighted average cure rate' assumption (which refers to the percentage of loans estimated to return from defaulted to less than 30 days past due and satisfactorily complete a twelve month probation period) would give rise to estimated reduced collective impairment provisions of c.€3 million; and
- A 1% increase in the 'weighted average repayment rate' assumption (which refers to the estimated percentage reduction in non-cured loan balances due to repayments) would give rise to estimated reduced collective impairment provisions of c.€8 million to €11 million.

A further important judgemental area is in relation to the level of impairment provisions applied to the Property and construction portfolio. Property and construction loans before impairment provisions at 31 December 2015 amounted to €13.4 billion (31 December 2014: €15.2 billion) including Non-performing loans of €4.9 billion (31 December 2014: €7.1 billion), against which the Group held provisions for impairment of €3.0 billion (31 December 2014: €3.9 billion).

In the case of the Property and construction portfolio a collective impairment provision is made for impairment charges that have been incurred but not reported (IBNR). A key assumption used in calculating this charge is the emergence period between the occurrence and reporting of the loss event. At 31 December 2015 emergence periods for Property and construction loans range from three to four months. An increase of one month in this emergence period beyond the assumed level would give rise to estimated additional impairment provisions of c.€32 million to €37 million.

In the case of the Non-property SME and corporate portfolio a collective impairment provision is made for impairment charges that have been incurred but not reported (IBNR). A key assumption used in calculating this charge is the emergence period between the occurrence and reporting of the loss event. At 31 December 2015 emergence periods for Non-property SME and corporate loans loans range from three to four months. An increase of one month in this emergence period beyond the assumed level would give rise to estimated additional impairment provisions of c.€22 million to €27 million.

(b) Taxation

The taxation charge accounts for amounts due to fiscal authorities in the various territories in which the Group operates and includes estimates based on a judgement of the application of law and practice in certain cases to determine the quantification of any liabilities arising. In arriving at such estimates, management assesses the relative merits and risks of tax treatments assumed, taking into account statutory, judicial and regulatory guidance and, where appropriate, external advice. There is a risk that the final taxation outcome could be different to the amounts currently recorded.

At 31 December 2015, the Group had a net deferred tax asset of €1,385 million (31 December 2014: €1,567 million), of which €1,416 million (31 December 2014: €1,595 million) related to trading losses. See note 41.

The most significant judgement relates to the Group's assessment of the recoverability of the portion of the deferred tax asset relating to trading losses.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences and unutilised tax losses can be utilised. In order for the Group to recognise an asset for unutilised losses it must have convincing evidence of sufficient future taxable profits against which the losses can be utilised. The recognition of a deferred tax asset relies on management's judgements surrounding the probability and sufficiency of future taxable profits, and the future reversals of existing taxable temporary differences.

2 Critical accounting estimates and judgements (continued)

To the extent that the recognition of a deferred tax asset is dependent on sufficient future profitability, a degree of estimation and the use of assumptions are required. Under current UK and Irish legislation there is no time limit on the utilisation of these losses. The Group's judgement takes into consideration the impact of both positive and negative evidence, including historical financial performance, projections of future taxable income, the impact of tax legislation and future reversals of existing taxable temporary differences.

As set out in note 41, the UK Finance Act 2015 enacted a new loss restriction whereby UK banks will only be able to offset 50% of their taxable profits arising from 1 April 2015 with trading losses brought forward from before that date. This has the effect of significantly lengthening the period over which the Group could use its UK trading losses.

Notwithstanding the absence of any expiry date for trading losses in the UK, the Group has concluded that for the valuation of deferred tax asset purposes its brought forward trading losses within the Bank's UK branch (the 'UK branch') will be limited by reference to a 10 year period of projected UK branch profits at the prevailing UK tax rates. Any remaining unutilised UK branch carried forward trading losses have been recognised for deferred tax asset purposes at the Irish tax rate on the basis that it is expected that these will be utilised against future Bank profits in Ireland as permitted by current tax legislation. This 10 year timescale is the period over which the Group believes it can conclude that it is probable that future taxable profits will be available in the UK branch. As a consequence, the carrying value of deferred tax assets relating to the UK branch trading losses reduced by €52 million as at 31 December 2015.

The Group has assessed the probability of future profits within the current business plans of both its Irish operations and Bank of Ireland (UK) plc and concluded that no similar limitation applies.

The Group expects to recover the majority of the deferred tax asset within ten years of the balance sheet date. Under current Irish and UK tax legislation there is no time restriction on the utilisation of these losses. Of the Group's total deferred tax asset relating to trading losses of c.€1.4 billion at 31 December 2015, c.€1.2 billion related to Irish trading losses and c.€0.2 billion related to the UK trading losses.

(c) Retirement benefits

The Group operates a number of defined benefit pension schemes. In determining the actual pension cost, the actuarial values of the liabilities of the schemes are calculated by external actuaries. This involves modelling their future growth and requires management to make assumptions as to discount rates, price inflation, salary and pensions increases, employee mortality and other demographic assumptions. There are acceptable ranges in which these estimates can validly fall. The impact on the results for the period and financial position could be materially different if alternative assumptions were used. A quantitative analysis of the sensitivity of the defined benefit pension liability to changes in the key assumptions is set out in note 42 on pension and similar obligations.

(d) Life assurance operations

The Group accounts for the value of the stockholders' interest in its long-term assurance business using the embedded value basis of accounting. Embedded value is comprised of the net tangible assets of Bank of Ireland Life and the present value of in force business. The value of in force business is calculated by projecting future surpluses and other net cash flows attributable to the shareholder arising from business written up to the balance sheet date and discounting the result at a rate which reflects the shareholder's overall risk premium, before provision has been made for taxation.

Future surpluses will depend on experience in a number of areas such as investment returns, lapse rates, mortality and investment expenses. Surpluses are projected by making assumptions about future experience, having regard to both actual experience and projected long-term economic trends.

Changes to these assumptions may cause the present value of future surpluses to differ from those assumed at the balance sheet date and could significantly affect the value attributed to the in force business. The value of in force business could also be affected by changes in the amounts and timing of other net cash flows (principally annual management charges and other fees levied upon the policyholders) or the rate at which the future surpluses and cash flows are discounted. In addition, the extent to which actual experience is different from that assumed will be recognised in the income statement for the period. A quantitative analysis of the sensitivity of profit to changes in the key life assurance assumptions is set out in note 58 on the life assurance business.

3 Operating segments

The Group has five reportable operating segments which reflect the internal financial and management reporting structure and are organised as follows:

Retail Ireland
Retail Ireland is managed through a number of business units namely Distribution Channels, Consumer Banking (including Bank of Ireland Mortgage Bank), Business Banking (including Bank of Ireland Finance) and Customer and Wealth Management.

Bank of Ireland Life
Bank of Ireland Life (which includes the Group's life assurance subsidiary New Ireland Assurance Company plc) distributes protection, investment and pension products to the Irish market, through independent brokers, its financial advisors (direct sales force) and the Group's branch network.

Retail UK
The Retail UK Division incorporates the financial services relationship and foreign exchange joint venture with the UK Post Office, the financial services partnership with the AA, the UK residential mortgage business, the Group's branch network in Northern Ireland (NI) and the Group's business banking business in NI. The Group also has a business banking business in Great Britain (GB) which is being run-down, in accordance with the EU Restructuring Plan. The Retail UK division includes the activities of Bank of Ireland (UK) plc, the Group's wholly owned UK licensed banking subsidiary and NIIB Group, a car and asset finance and consumer lending group.

Corporate and Treasury
The Corporate and Treasury Division comprises Corporate Banking, Global Markets and IBI Corporate Finance. It also includes the Group's euro liquid asset bond portfolio.

Group Centre
Group Centre comprises capital and other management activities, unallocated Group support costs and the cost associated with schemes such as the ELG Scheme, the Bank and Investment Firm Resolution (BIFR) fund, the Irish bank levy and the UK Financial Services Compensation Scheme (FSCS).

Other reconciling items
Other reconciling items represent inter segment transactions which are eliminated upon consolidation.

Basis of preparation of segmental information
The analysis of results by operating segment is based on the information used by the chief operating decision maker to allocate resources and assess performance. Transactions between the business segments are on normal commercial terms and conditions. Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

The measures of segmental assets and liabilities provided to the chief operating decision maker are not adjusted for transfer pricing adjustments or revenue sharing agreements as the impact on the measures of segmental assets and liabilities is not significant.

Capital expenditure comprises additions to property, plant and equipment and intangible assets.

The Group's management reporting and controlling systems use accounting policies that are the same as those referenced in 'Group accounting policies' on pages 175 to 199. On an ongoing basis, the Group reviews the methodology for allocating funding and liquidity costs in order to ensure that the allocations continue to reflect each division's current funding requirement. During the year ended 31 December 2013, the Group amended the allocation of funding and liquidity costs across the divisions which resulted, in a reduction of net interest income for the year ended 31 December 2015 in the Retail UK division of €26 million, with a corresponding increase in net interest income in the Retail Ireland and Corporate and Treasury divisions of €20 million and €6 million respectively.

Gross external revenue comprises interest income, net insurance premium income, fee and commission income, net trading income, life assurance investment income gains and losses, other operating income and share of results of associates and joint ventures.

There were no revenues deriving from transactions with a single external customer that amounted to 10% or more of the Group's revenues.

3 Operating segments (continued)

The Group measures the performance of its operating segments through a measure of segment profit or loss which is referred to as 'Underlying profit' in its internal management reporting systems. Underlying profit excludes:

- Gain / loss on disposal / liquidation of business activities;
- Cost of restructuring programme;
- Gains / charges arising on the movement in the Group's credit spreads;
- Gross-up for policyholder tax in the Life business;
- Impact of changes to pension benefits in the Group sponsored defined benefit schemes;
- Payment in respect of the career and reward framework;
- Loss on liability management exercises; and
- Investment return on treasury stock held for policyholders.

3 Operating segments (continued)

Year ended 31 December 2015	Retail Ireland €m	Bank of Ireland Life €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items[1] €m	Group €m
Net interest income	**1,062**	**34**	**716**	**600**	**22**	**10**	**2,444**
Other income, net of insurance claims	373	169	(1)	293	20	(26)	828
Total operating income, net of insurance claims	**1,435**	**203**	**715**	**893**	**42**	**(16)**	**3,272**
Other operating expenses	(783)	(96)	(396)	(185)	(231)	-	(1,691)
- Other operating expenses excluding Irish bank levy and regulatory costs	*(781)*	*(95)*	*(392)*	*(185)*	*(163)*	-	*(1,616)*
- Irish bank levy	-	-	-	-	*(38)*	-	*(38)*
- Regulatory levy costs:							
- FSCS levy	-	-	-	-	*(15)*	-	*(15)*
- BIFR fund cost	-	-	-	-	*(7)*	-	*(7)*
- Other levies	*(2)*	*(1)*	*(4)*	-	*(8)*	-	*(15)*
Depreciation and amortisation	(48)	(4)	(35)	(9)	(34)	-	(130)
Total operating expenses	**(831)**	**(100)**	**(431)**	**(194)**	**(265)**	**-**	**(1,821)**
Underlying operating profit / (loss) before impairment charges on financial assets	**604**	**103**	**284**	**699**	**(223)**	**(16)**	**1,451**
Impairment (charges) / reversals on financial assets	(95)	-	(139)	(62)	-	-	(296)
Share of results of associates and joint ventures	(2)	-	48	-	-	-	46
Underlying profit / (loss) before tax	**507**	**103**	**193**	**637**	**(223)**	**(16)**	**1,201**

Reconciliation of underlying profit before tax to profit before tax	**Group €m**
Underlying profit before tax	1,201
Gain on disposal / liquidation of business activities	51
Cost of restructuring programme	(43)
Gain arising on the movement in the Group's credit spreads	11
Gross-up for policyholder tax in the Life business	11
Impact of changes to pension benefits in the Group sponsored defined benefit schemes	4
Payment in respect of the career and reward framework	(2)
Loss on liability management exercises	(1)
Profit before tax	**1,232**

[1] *This relates to segmental income / (expense) on certain inter-segment transactions, which is eliminated at a Group level.*

3 Operating segments (continued)

Year ended 31 December 2014	Retail Ireland €m	Bank of Ireland Life €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items[1] €m	Group €m
Net interest income	1,004	43	674	602	(7)	5	2,321
Other income, net of insurance claims	318	186	2	217	(61)	(9)	653
Total operating income, net of insurance claims	1,322	229	676	819	(68)	(4)	2,974
Other operating expenses	(776)	(93)	(332)	(168)	(190)	4	(1,555)
- Other operating expenses excluding Irish bank levy and regulatory costs	*(773)*	*(92)*	*(329)*	*(168)*	*(125)*	*4*	*(1,483)*
- Irish bank levy	-	-	-	-	*(38)*	-	*(38)*
- Regulatory levy costs:							
- FSCS levy	-	-	-	-	*(18)*	-	*(18)*
- Other levies	*(3)*	*(1)*	*(3)*	-	*(9)*	-	*(16)*
Depreciation and amortisation	(41)	(3)	(32)	(10)	(32)	-	(118)
Total operating expenses	(817)	(96)	(364)	(178)	(222)	4	(1,673)
Underlying operating profit / (loss) before impairment charges on financial assets	505	133	312	641	(290)	-	1,301
Impairment (charges) / reversals on financial assets	(226)	-	(228)	(88)	70[2]	-	(472)
Share of results of associates and joint ventures	49	-	43	-	-	-	92
Underlying profit / (loss) before tax	328	133	127	553	(220)	-	921

Reconciliation of underlying profit before tax to profit before tax	Group €m
Underlying profit before tax	921
Impact of changes to pension benefits in the Group sponsored defined benefit schemes	93
Cost of restructuring programme	(56)
Payment in respect of the career and reward framework	(32)
Charge arising on the movement in the Group's credit spreads	(10)
Gross-up for policyholder tax in the Life business	14
Loss on disposal / liquidation of business activities	(4)
Loss on liability management exercises	(5)
Investment return on treasury stock held for policyholders	(1)
Profit before tax	920

[1] This relates to segmental income / (expense) on certain inter-segment transactions, which is eliminated at a Group level.
[2] During the year ended 31 December 2014, NAMA revised its outlook and paid the Group a discretionary coupon of €15 million on the bonds. As a consequence, the Group revised its assumption as to future expected cash flows on the bonds, resulting in a reversal of impairment of €70 million (year ended 31 December 2013: €nil).

3 Operating segments (continued)

Year ended 31 December 2015 **Analysis by operating segment**	**Retail Ireland €m**	**Bank of Ireland Life €m**	**Retail UK €m**	**Corporate and Treasury €m**	**Group Centre €m**	**Other reconciling items €m**	**Group €m**
Investment in associates and joint ventures	56	-	83	-	-	-	139
External assets	37,616	15,585	44,244	29,416	4,100	(1)	130,960
Inter segment assets	58,336	2,097	11,530	84,297	20,646	(176,906)	-
Total assets	**95,952**	**17,682**	**55,774**	**113,713**	**24,746**	**(176,907)**	**130,960**
External liabilities	47,947	16,645	32,905	19,971	4,368	11	121,847
Inter segment liabilities	46,673	230	19,656	92,339	17,976	(176,874)	-
Total liabilities	**94,620**	**16,875**	**52,561**	**112,310**	**22,344**	**(176,863)**	**121,847**

Year ended 31 December 2014 Analysis by operating segment	Retail Ireland €m	Bank of Ireland Life €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items €m	Group €m
Investment in associates and joint ventures	172	40	77	-	-	-	289
External assets	38,548	14,725	41,735	30,305	4,487	-	129,800
Inter segment assets	55,875	2,358	13,386	93,762	30,825	(196,206)	-
Total assets	94,423	17,083	55,121	124,067	35,312	(196,206)	129,800
External liabilities	46,817	16,095	29,750	25,336	3,061	(6)	121,053
Inter segment liabilities	46,749	278	22,433	97,404	29,286	(196,150)	-
Total liabilities	93,566	16,373	52,183	122,740	32,347	(196,156)	121,053

3 Operating segments (continued)

Year ended 31 December 2015 **Gross revenue by operating segments**	**Retail Ireland €m**	**Bank of Ireland Life €m**	**Retail UK €m**	**Corporate and Treasury €m**	**Group Centre €m**	**Other reconciling items €m**	**Group €m**
Gross external revenue	**1,515**	**1,723**	**1,548**	**1,037**	**103**	**(9)**	**5,917**
Inter segment revenues	719	62	115	699	421	(2,016)	-
Gross revenue	**2,234**	**1,785**	**1,663**	**1,736**	**524**	**(2,025)**	**5,917**
Insurance contract liabilities and claims paid	-	(1,504)	-	-	(7)	-	(1,511)
Gross revenue after claims paid	**2,234**	**281**	**1,663**	**1,736**	**517**	**(2,025)**	**4,406**
Capital expenditure	**68**	**2**	**29**	**4**	**122**	**-**	**225**

Year ended 31 December 2014 Gross revenue by operating segments	Retail Ireland €m	Bank of Ireland Life €m	Retail UK €m	Corporate and Treasury €m	Group Centre €m	Other reconciling items €m	Group €m
Gross external revenue	1,618	2,240	1,492	1,213	(80)	(15)	6,468
Inter segment revenues	829	144	303	841	470	(2,587)	-
Gross revenue	2,447	2,384	1,795	2,054	390	(2,602)	6,468
Insurance contract liabilities and claims paid	-	(2,078)	-	-	(1)	-	(2,079)
Gross revenue after claims paid	2,447	306	1,795	2,054	389	(2,602)	4,389
Capital expenditure	40	1	17	6	73	-	137

3 Operating segments (continued)

The analysis below is on a geographical basis - based on the location of the business unit where revenues are generated.

Year ended 31 December 2015 Geographical analysis	**Republic of Ireland €m**	**United Kingdom €m**	**Rest of World €m**	**Other reconciling items €m**	**Total €m**
Gross external revenue	**4,236**	**1,533**	**157**	**(9)**	**5,917**
Inter segment revenues	282	137	11	(430)	-
Gross revenue	**4,518**	**1,670**	**168**	**(439)**	**5,917**
Insurance contract liabilities and claims paid	(1,504)	-	(7)	-	(1,511)
Gross revenue after claims paid	**3,014**	**1,670**	**161**	**(439)**	**4,406**
Capital expenditure	**192**	**33**	**-**	**-**	**225**
External assets	82,166	47,037	1,757	-	130,960
Inter segment assets	21,313	11,776	900	(33,989)	-
Total assets	**103,479**	**58,813**	**2,657**	**(33,989)**	**130,960**
External liabilities	86,998	34,610	239	-	121,847
Inter segment liabilities	10,773	21,169	2,047	(33,989)	-
Total liabilities	**97,771**	**55,779**	**2,286**	**(33,989)**	**121,847**

Year ended 31 December 2014 Geographical analysis	Republic of Ireland €m	United Kingdom €m	Rest of World €m	Other reconciling items €m	Total €m
Gross external revenue	4,790	1,591	102	(15)	6,468
Inter segment revenues	256	280	17	(553)	-
Gross revenue	5,046	1,871	119	(568)	6,468
Insurance contract liabilities and claims paid	(2,078)	-	(1)	-	(2,079)
Gross revenue after claims paid	2,968	1,871	118	(568)	4,389
Capital expenditure	121	16	-	-	137
External assets	83,907	44,503	1,390	-	129,800
Inter segment assets	24,638	11,981	1,246	(37,865)	-
Total assets	108,545	56,484	2,636	(37,865)	129,800
External liabilities	88,151	32,372	530	-	121,053
Inter segment liabilities	14,801	21,255	1,809	(37,865)	-
Total liabilities	102,952	53,627	2,339	(37,865)	121,053

4 Interest income

	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Loans and advances to customers	2,870	2,907
Available for sale financial assets[1]	209	379
Finance leases and hire purchase receivables	136	111
Loans and advances to banks	33	35
Held to maturity financial assets[2]	21	-
Interest income	**3,269**	**3,432**

[1] *Includes €11 million (31 December 2014: €30 million) of interest income on NAMA senior bonds.*
[2] *Includes €11 million (31 December 2014: €nil) of amortisation transferred from the available for sale reserve in relation to the assets reclassified from available for sale to held to maturity (see note 24).*

Interest income recognised on loans and advances to customers
For the year ended 31 December 2015:
- €148 million (year ended 31 December 2014: €201 million) of interest recognised on impaired loans and advances to customers on which a specific impairment provision has been recognised at the year end. Of this amount €111 million (year ended 31 December 2014: €157 million) relates to loans on which specific provisions have been individually assessed and €37 million (year ended 31 December 2014: €44 million) relates to loans on which specific provisions have been collectively assessed;
- €76 million (31 December 2014: €97 million) of interest recognised on loans and advances to customers classified as Non-performing but on which a specific impairment provision has not been recognised at the year end; and
- €270 million (31 December 2014: €256 million) of interest recognised on loans and advances to customers classified as forborne and which are considered performing at the year end.

For the year ended 31 December 2015, interest recognised on total forborne loans and advances to customers was €317 million (31 December 2014: €314 million).

Interest income received on loans and advances to customers
For the year ended 31 December 2015:
- €144 million (31 December 2014: €213 million) of interest income was received on impaired loans and advances to customers on which a specific impairment provision has been recognised at the year end;
- €72 million (31 December 2014: €90 million) of interest income was received on loans and advances to customers classified as Non-performing but on which a specific impairment provision has not been recognised at the year end; and
- €268 million (31 December 2014: €251 million) of interest income was received on arising on loans and advances to customers classified as forborne and which are considered performing at the year end.

For the year ended 31 December 2015, interest income received on total forborne loans and advances to customers was €314 million (31 December 2014: €293 million).

Interest income recognised on available for sale financial assets
Interest income on available for sale assets is recognised net of interest of €115 million (31 December 2014: €143 million) on derivatives which are in a hedge relationship with the relevant asset.

Transferred from cash flow hedge reserve
Net interest income also includes a gain of €63 million (year ended 31 December 2014: €81 million) transferred from the cash flow hedge reserve (see page 170).

5 Interest expense

	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Customer accounts	469	660
Subordinated liabilities	179	168[1]
Debt securities in issue	164	244[1]
Deposits from banks	10	39
2009 Preference Stock fair value unwind	3	-
Interest expense	**825**	**1,111**

[1] *Comparative figures have been adjusted to reflect the interest on derivatives which are in a hedging relationship with the relevant liability. An expense of €32 million has been reclassified from subordinated liabilities to debt securities in issue, with no change to total interest expense.*

Included within interest expense for the year ended 31 December 2015 is an amount of €10 million (year ended 31 December 2014: €37 million) relating to the cost of the ELG. The cost of this scheme is classified as interest expense as it is directly attributable and incremental to the issue of specific financial liabilities. Further information on this scheme is outlined in note 50(b).

Interest expense recognised on subordinated liabilities
Interest expense on subordinated liabilities is recognised net of interest of €39 million (31 December 2014: €32 million) on derivatives which are in a hedge relationship with the relevant liability.

Interest expense recognised on debt securities in issue
Interest expense on debt securities in issue is recognised net of interest of €67 million (31 December 2014: €155 million) on derivatives which are in a hedge relationship with the relevant liability.

6 Net insurance premium income

	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Gross premiums written	1,438	1,447
Ceded reinsurance premiums	(88)	(103)
Net insurance premium income	**1,350**	**1,344**

7 Fee and commission income and expense

Income	**Year ended 31 December 2015 €m**	Year ended 31 December 2014 €m
Retail banking customer fees	472	443
Insurance commissions	23	26
Credit related fees	30	45
Asset management fees	3	3
Brokerage fees	3	3
Other	30	38
Fee and commission income	**561**	**558**

Expense
Fee and commission expense of €242 million (year ended 31 December 2014: €214 million) primarily comprises brokerage fees, sales commissions and other fees paid to third parties.

8 Net trading income / (expense)

	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Financial assets designated at fair value	-	3
Financial liabilities designated at fair value		
- Credit spreads relating to the Group's liabilities designated at fair value through profit or loss (see table below)	11	(16)
- Other	(51)	(136)
Related derivatives held for trading	9	64
	(31)	**(85)**
Other financial instruments held for trading	86	41
Net fair value hedge ineffectiveness	3	1
Cash flow hedge ineffectiveness	-	1
Net trading income / (expense)	**58**	**(42)**

Net trading income / (expense) includes the gains and losses on financial instruments held for trading and those designated at fair value through profit or loss (other than unit linked life assurance assets and investment contract liabilities). It includes the gains and losses arising on the purchase and sale of these instruments, the interest income receivable and expense payable and the fair value movement on these instruments, together with the funding cost of the trading instruments. It also includes €24 million (year ended 31 December 2014: €9 million) in relation to net gains arising from foreign exchange.

Net trading income / (expense) includes the total fair value movement (including interest receivable and payable) on liabilities that have been designated at fair value through profit or loss. The interest receivable on assets held at amortised cost, which are funded by those liabilities, is reported in net interest income.

Net trading income / (expense) also includes the total fair value movements on derivatives that are economic hedges of assets and liabilities which are measured at amortised cost, the net interest receivable or payable on which is also reported within net interest income. The net amount reported within net interest income relating to these amortised cost instruments was €28 million (year ended 31 December 2014: €53 million).

Net fair value hedge ineffectiveness reflects a net charge from hedging instruments of €24 million (year ended 31 December 2014: net charge of €279 million) offsetting a net gain from hedged items of €27 million (year ended 31 December 2014: net gain of €280 million).

The table below sets out the impact on the Group's income statement of the (charges) / gains arising on the movement in credit spreads on the Group's own debt and deposits:

Credit spreads relating to the Group's liabilities designated at fair value through profit or loss	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Recognised in		
- Net trading expense	11	(16)
- Insurance contract liabilities and claims paid	-	5
- Other operating income	-	1
	11	**(10)**
Cumulative charges arising on the movement in credit spreads relating to the Group's liabilities designated at fair value through profit or loss	(27)	(38)

9 Life assurance investment income, gains and losses

	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Gross life assurance investment income, gains and losses	334	814
Life assurance investment income, gains and losses	**334**	**814**

Life assurance investment income, gains and losses comprise the investment return, realised gains and losses and unrealised gains and losses which accrue to the Group on all investment assets held by Bank of Ireland Life, other than those held for the benefit of policyholders whose contracts are considered to be investment contracts.

10 Other operating income

	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Transfer from available for sale reserve on asset disposal (note 23)	207	192
Other insurance income	39	25
Dividend income	11	11
Movement in value of in force asset (note 58)	(3)	50
Loss on liability management exercises	(1)	(5)
Elimination of investment return on treasury stock held for the benefit of policyholders in the Life businesses	-	(1)
Other income	46	(2)
Other operating income	**299**	**270**

Other income includes gains on investment property disposals and revaluations of €30 million.

11 Insurance contract liabilities and claims paid

	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Claims paid		
Policy surrenders	825	785
Death and critical illness claims	143	141
Annuity payments	76	72
Policy maturities	1	1
Other claims	66	38
Gross claims paid	**1,111**	**1,037**
Recovered from reinsurers	(84)	(75)
Net claims paid	**1,027**	**962**
Change in insurance contract liabilities		
Change in gross liabilities	485	1,416
Change in reinsured liabilities	(1)	(299)
Net change in insurance contract liabilities	**484**	**1,117**
Insurance contract liabilities and claims paid	**1,511**	**2,079**

12 Other operating expenses

Administrative expenses and staff costs	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Staff costs excluding cost of restructuring programme	898	855
Amortisation of intangible assets (note 31)	92	82
Depreciation of property, plant and equipment (note 33)	38	36
Irish bank levy	38	38
Regulatory levy costs		
- Financial Services Compensation Scheme (FSCS) levy	15	18
- Bank and Investment Firm Resolution (BIFR) fund cost	7	-
- Other levies	15	16
Reversal of impairment on property	(6)	(9)
Other administrative expenses excluding cost of restructuring programme	726	669
Total	**1,823**	**1,705**
Aggregate staff costs are analysed as follows:		
Wages and salaries	659	619
Social security costs	71	67
Retirement benefit costs (defined benefit plans) (note 42)	148	137
Retirement benefit costs (defined contribution plans)	10	1
Payment in respect of the career and reward framework	2	32
Other staff expenses	13	7
	903	**863**
Staff costs capitalised	(5)	(8)
Staff costs excluding cost of restructuring programme	**898**	**855**
Staff costs included in cost of restructuring programme (note 13)	47	58
Total staff costs	**945**	**913**
Retirement benefit gain (note 42)	(4)	(93)
Total staff costs including retirement benefit gain	**941**	**820**

12 Other operating expenses (continued)

During the year ended 31 December 2015, the Group incurred costs of €7 million in relation to the newly established Bank and Investment Firm Resolution (BIFR) fund.

During the year ended 31 December 2014, the Group agreed a new career and reward framework, across the Group, giving transparency and flexibility around change and career development in the Group and consequently a change to certain historical employment contracts and practices. The majority of the Group employees accepted the implementation of the career and reward framework during 2014 (which resulted in a one-off charge of €32 million) and a small number of Group employees accepted the framework in 2015 (resulting in a one-off charge of €2 million).

Defined benefit retirement benefit costs of €148 million for the year ended 31 December 2015 (year ended 31 December 2014: €137 million) exclude a gain of €4 million in relation to the impact of amendments to a Group sponsored defined benefit pension scheme (year ended 31 December 2014: gain of €93 million) which has been recognised within the income statement as a separate line item, net of any directly related expenses. Further details are set out in note 42.

Defined benefit retirement benefit costs includes a recovery of €1 million in respect of the Irish pension levy for a number of schemes (year ended 31 December 2014: €4 million). Further details are set out in note 42.

Other administrative expenses includes an amount of €49 million (31 December 2014: €47 million) relating to operating lease payments.

Staff numbers
At 31 December 2015, the number of staff (full time equivalents) was 11,145 (31 December 2014: 11,086).

The average number of staff (full time equivalents) during the year was 11,302 (year ended 31 December 2014: 11,292) categorised as follows in line with the operating segments as stated in note 3.

Average number of staff (full time equivalents)	**Year ended 31 December 2015**	Year ended 31 December 2014
Retail Ireland	4,560	4,696
Retail UK	1,624	1,454
Bank of Ireland Life	918	928
Corporate and Treasury	603	582
Group Centre	3,597	3,632
Total	**11,302**	**11,292**

13 Cost of restructuring programme

	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Staff costs (note 12)	47	58
Property and other	(4)	(2)
Total	**43**	**56**

14 Auditors' remuneration (excluding VAT)

Auditors' remuneration (excluding VAT and including expenses)	Notes	RoI (i) €m	Overseas (ii) €m	Year ended 31 December 2015 Total €m	Year ended 31 December 2014 Total €m
Audit and assurance services					
Statutory audit		1.8	0.9	2.7	2.7[1]
Assurance services	iii	2.3	0.2	2.5	2.3
		4.1	**1.1**	**5.2**	**5.0**
Other services					
Taxation services		0.1	-	0.1	0.1
Other non-audit services	iv	0.1	0.1	0.2	0.2
Total auditors' remuneration		**4.3**	**1.2**	**5.5**	**5.3**

[1] *The comparative year has been restated to reflect the impact of the implementation of Section 322 of the Companies Act 2014 and the resulting inclusion of expenses in the table above.*

The figures in the above table relate to fees payable to PricewaterhouseCoopers (PwC). The Group Audit Committee has reviewed the level of fees and is satisfied that it has not affected the independence of the auditors.

(i) Fees paid to the Statutory Auditor, PricewaterhouseCoopers Ireland;
(ii) Fees to overseas auditors principally consist of fees to PricewaterhouseCoopers LLP in the UK;
(iii) Assurance services consist primarily of fees in connection with reporting to regulators including the Central Bank of Ireland, review of the interim financial statements, letters of comfort, review of compliance with Government Guarantee Schemes, reporting on internal controls, reporting accountants' work and other accounting matters; and
(iv) Other non-audit services consist primarily of fees for translation services and other assignments.

15 Impairment charges on financial assets

	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Loans and advances to customers (note 28)	296	542
Reversal of impairment charge on available for sale financial assets (AFS)	-	(70)
Impairment charges on financial assets	**296**	**472**

The reversal of an impairment charge on available for sale financial assets of €70 million in 2014 relates to the NAMA subordinated bonds.

16 Share of results of associates and joint ventures (after tax)

	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
First Rate Exchange Services (note 30)	49	43
Property unit trust and other joint ventures (note 30)	(11)	8
Associates (note 29)	8	41
Share of results of associates and joint ventures (after tax)	**46**	**92**

17 Profit / (loss) on disposal / liquidation of business activities

	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Retail UK Division		
Insurance joint operation with the UK Post Office	57	-
Retail Ireland Division		
ICS Building Society (In Members' Voluntary Liquidation)	-	(3)
Corporate and Treasury Division		
Bank of Ireland Securities Services (BoISS)	-	(1)
Transfer of foreign exchange reserve to income statement on liquidation of non-trading entities	(6)	-
Profit / (loss) on disposal / liquidation of business activities	**51**	**(4)**

Insurance joint operation with the UK Post Office
On 30 September 2015, the UK Post Office exercised a pre-existing option to acquire the Group's interest in the insurance joint operation with the UK Post Office. The Group recognised net cash consideration and a gain of €57 million as a result of this transaction.

Transfer of foreign exchange reserve to income statement on liquidation of non-trading entities
As part of the Group's focus on simplifying its corporate structure, the Group has an ongoing programme of winding up a number of wholly owned, dormant and non-trading companies, a number of which are foreign operations. During 2015, the Group voluntarily appointed a liquidator to manage the winding up of a foreign operation. Upon appointment of the liquidator, the Group is considered to have lost control of the company and has accounted for this loss of control as a disposal. In accordance with IAS 21, the Group has reclassified net cumulative foreign exchange losses of €6 million relating to this company from the foreign exchange reserve to the income statement during the year ended 31 December 2015 (year ended 31 December 2014: €nil) (see page 171).

18 Taxation

	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Current tax		
Irish Corporation Tax		
- Current year	27	18
- Transfer from deferred tax	-	(7)
Double taxation relief	(2)	(2)
Foreign tax		
- Current year	64	34
- Adjustments in respect of prior year	(13)	(1)
	76	**42**
Deferred tax		
Current year profits	116	55
Reassessment of the value of tax losses carried forward	52	(12)
Origination and reversal of temporary differences	10	38
Impact of Corporation Tax rate change (note 41)	26	-
Adjustments in respect of prior year	5	4
Transfer to current tax	-	7
Taxation charge	**285**	**134**

The reconciliation of tax on the profit before taxation at the standard Irish corporation tax rate to the Group's actual tax charge for the years ended 31 December 2015 and 31 December 2014 is as follows:

	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Profit before tax multiplied by the standard rate of corporation tax in Ireland of 12.5% (2014: 12.5%)	154	115
Effects of:		
Reassessment of the value of tax losses carried forward	52	(12)
Foreign earnings subject to different rates of tax	40	42
Other adjustments for tax purposes	27	4
Impact of corporation tax rate change on deferred tax	26	-
Adjustments in respect of prior year	(8)	3
Share of results of associates and joint ventures shown post tax in the income statement	(6)	(5)
Bank of Ireland Life companies - different basis of accounting	-	(13)
Taxation charge	**285**	**134**

The effective taxation rate on a statutory profit basis for the year ended 31 December 2015 is 23% (year ended 31 December 2014: 15%). On an underlying profit basis the effective taxation rate was 22% for the year ended 31 December 2015 (year ended 31 December 2014: 13%). Note 3 sets out a reconciliation of statutory profit to underlying profit.

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18 Taxation (continued)

The tax effects relating to each component of other comprehensive income are as follows:

	Year ended 31 December 2015			Year ended 31 December 2014		
	Pre tax €m	**Tax €m**	**Net of tax €m**	Pre tax €m	Tax €m	Net of tax €m
Available for sale reserve						
Changes in fair value	143	(33)	110	342	(41)	301
Transfer to income statement						
- On asset disposal	(207)	26	(181)	(192)	24	(168)
- Amortisation	(11)	1	(10)	-	-	-
Net change in reserve	**(75)**	**(6)**	**(81)**	**150**	**(17)**	**133**
Remeasurement of the net defined benefit pension liability	**97**	**(6)**	**91**	**(396)**	**43**	**(353)**
Cash flow hedge reserve						
Changes in fair value	(316)	58	(258)	(287)[1]	37	(250)
Transfer to income statement	258	(45)	213	470[1]	(61)	409
Net change in cash flow hedge reserve	**(58)**	**13**	**(45)**	**183**	**(24)**	**159**
Net change in foreign exchange reserve	**255**	**-**	**255**	**275**	**-**	**275**
Net change in revaluation reserve	**14**	**(3)**	**11**	**1**	**-**	**1**
Other comprehensive income for the year	**233**	**(2)**	**231**	**213**	**2**	**215**

[1] *Comparative figures have been adjusted in the cash flow hedge reserve resulting in a change of €162 million in 'changes in fair value' with an offsetting increase in 'transfer to income statement'.*

19 Earnings per share

The calculation of basic earnings per unit of €0.05 ordinary stock is based on the profit attributable to ordinary stockholders divided by the weighted average number of units of ordinary stock in issue excluding treasury stock and own stock held for the benefit of life assurance policyholders.

The diluted earnings per share is based on the profit attributable to ordinary stockholders divided by the weighted average number of units of ordinary stock in issue excluding treasury stock and own stock held for the benefit of life assurance policyholders adjusted for the effect of all dilutive potential ordinary stock.

For the year ended 31 December 2015 and the year ended 31 December 2014, there was no difference in the weighted average number of units of stock used for basic and diluted earnings per share as the effect of all potentially dilutive ordinary units of stock outstanding was anti-dilutive.

19 Earnings per share (continued)

	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Basic and diluted earnings per share		
Profit attributable to stockholders	940	786
Dividend on 2009 Preference Stock	(135)	(133)
Adjustment on redemption of 2009 Preference Stock[1]	(52)	-
Dividend on other preference equity interests	(8)	(8)
Profit attributable to ordinary stockholders	**745**	**645**
	Units (millions)	Units (millions)
Weighted average number of units of stock in issue excluding treasury stock and own stock held for the benefit of life assurance policyholders[2]	32,346	32,345
Basic and diluted earnings per share (cent)	**2.3c**	**2.0c**

[1] *A liability to redeem 1,300,000,000 units of 2009 Preference Stock at par was recognised during 2015 as disclosed in note 46. This was greater than its carrying value of €0.9577 per unit due to transaction costs and warrants issued on the issue of the stock on 31 March 2009. Under IAS 33, the difference of €52 million has been reflected in the EPS calculation by reducing the profit attributable to ordinary equity holders of the parent entity.*

[2] *The weighted average number of units of treasury stock and own stock held for the benefit of life assurance policyholders amounted to 39.4 million units (year ended 31 December 2014: 40.7 million).*

As at 31 December 2015, the Convertible Contingent Capital Note (CCCN) (note 43) and options of c.9,000 units (note 45) of potential ordinary stock (31 December 2014: 0.5 million units) could potentially have a dilutive impact in the future, but were anti-dilutive in the year ended 31 December 2015 and the year ended 31 December 2014. The CCCN has a fixed maturity date of 30 July 2016.

20 Derivative financial instruments

The Group's use of, objectives and policies on managing the risks that arise in connection with derivatives, including the policies for hedging, are included in the Risk Management Report on pages 110 and 113. The notional amounts of certain types of derivatives do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit risk. The derivative instruments give rise to assets or liabilities as a result of fluctuations in market rates or prices relative to their terms.

The notional amounts and fair values of derivative instruments held by the Group are set out in the following tables:

31 December 2015	Contract / notional amount €m	Fair Values Assets €m	Fair Values Liabilities €m
Derivatives held for trading			
Foreign exchange derivatives			
Currency forwards	1,851	26	28
Currency swaps	4,688	55	66
Over the counter currency options	662	4	4
Total foreign exchange derivatives held for trading	**7,201**	**85**	**98**
Interest rate derivatives			
Interest rate swaps	141,743	1,643	2,075
Cross currency interest rate swaps	4,729	410	272
Forward rate agreements	1,066	-	-
Over the counter interest rate options	5,149	26	30
Interest rate futures	3,220	1	1
Exchange traded interest rate options	9,791	-	-
Total interest rate derivatives held for trading	**165,698**	**2,080**	**2,378**
Equity contracts, commodity contracts and credit derivatives			
Equity index-linked contracts held	3,979	200	28
Equity conversion feature in Convertible Contingent Capital Note	1,000	3	-
Credit derivatives	224	-	1
Commodity contracts	136	22	22
Total equity contracts and credit derivatives	**5,339**	**225**	**51**
Total derivative assets / liabilities held for trading	**178,238**	**2,390**	**2,527**
Derivatives held for hedging			
Derivatives designated as fair value hedges			
Interest rate swaps	21,794	279	431
Cross currency interest rate swaps	13	1	-
Total designated as fair value hedges	**21,807**	**280**	**431**
Derivatives designated as cash flow hedges			
Interest rate swaps	14,422	322	61
Cross currency interest rate swaps	9,642	72	600
Total designated as cash flow hedges	**24,064**	**394**	**661**
Total derivative assets / liabilities held for hedging	**45,871**	**674**	**1,092**
Total derivative assets / liabilities	**224,109**	**3,064**	**3,619**

20 Derivative financial instruments (continued)

31 December 2014	Contract / notional amount €m	Fair Values Assets €m	Fair Values Liabilities €m
Derivatives held for trading			
Foreign exchange derivatives			
Currency forwards	7,026	74	113
Currency swaps	524	26	27
Over the counter currency options	260	2	2
Total foreign exchange derivatives held for trading	7,810	102	142
Interest rate derivatives			
Interest rate swaps	123,101	2,037	2,398
Cross currency interest rate swaps	4,835	365	253
Forward rate agreements	221	-	-
Over the counter interest rate options	5,131	45	46
Interest rate futures	1,600	-	1
Exchange traded interest rate options	9,884	-	-
Total interest rate derivatives held for trading	144,772	2,447	2,698
Equity contracts, commodity contracts and credit derivatives			
Equity index-linked contracts held	3,987	277	10
Equity conversion feature in Convertible Contingent Capital Note	1,000	22	-
Credit derivatives	160	-	-
Commodity contracts	126	17	17
Total equity contracts and credit derivatives	5,273	316	27
Total derivative assets / liabilities held for trading	157,855	2,865	2,867
Derivatives held for hedging			
Derivatives designated as fair value hedges			
Interest rate swaps	21,053	364	672
Cross currency interest rate swaps	40	3	-
Total designated as fair value hedges	21,093	367	672
Derivatives designated as cash flow hedges			
Interest rate swaps	16,833	460	65
Cross currency interest rate swaps	7,720	-	434
Total designated as cash flow hedges	24,553	460	499
Total derivative assets / liabilities held for hedging	45,646	827	1,171
Total derivative assets / liabilities	203,501	3,692	4,038

Derivatives held for trading above comprise derivatives entered into with trading intent as well as derivatives entered into with economic hedging intent to which the Group does not apply hedge accounting. Derivatives classified as held for hedging in the table above comprise only those derivatives to which the Group applies hedge accounting.

The Group uses netting arrangements and collateral agreements to reduce its exposure to credit losses. Of the derivative assets of €3.1 billion at 31 December 2015 (31 December 2014: €3.7 billion):

- €2.0 billion (31 December 2014: €2.5 billion) are available for offset against derivative liabilities under master netting arrangements. These transactions do not meet the criteria under IAS 32 to enable the assets to be presented net of the liabilities; and
- €1.1 billion (31 December 2014: €1.2 billion) are not covered by master netting arrangements or relate to counterparties covered by master netting arrangements with whom a net asset position was held at the balance sheet date.

At 31 December 2015, cash collateral of €0.5 billion (31 December 2014: €0.6 billion) was held against these assets and is reported within deposits from banks (note 35).

20 Derivative financial instruments (continued)

Placements with other banks and loans and advances to customers include cash collateral of €1.4 billion at 31 December 2015 (31 December 2014: €1.3 billion) placed with derivative counterparties in respect of a net derivative liability position of €1.5 billion (31 December 2014: €1.5 billion) and is reported within loans and advances to banks (note 22) and loans and advances to customers (note 26).

The Group designates certain derivatives as hedging instruments in either fair value or cash flow hedge relationships.

Fair value hedges

Certain interest rate and cross currency interest rate derivatives are designated as hedging instruments. These are primarily used to reduce the interest rate and foreign exchange exposure on the Group's fixed rate debt held, fixed rate mortgages and debt issued portfolios.

Cash flow hedges

The Group designates certain interest rate and currency derivatives in cash flow hedge relationships in order to hedge the exposure to variability in future cash flows arising from floating rate assets and liabilities and from foreign currency assets. Movements in the cash flow hedge reserve are shown in the Consolidated statement of changes in equity (page 170).

The years in which the hedged cash flows are expected to occur are shown in the table below:

31 December 2015	**Up to 1 year €m**	**1 to 2 years €m**	**2 to 5 years €m**	**Over 5 years €m**	**Total €m**
Forecast receivable cash flows	7,302	2,435	125	83	9,945
Forecast payable cash flows	(16)	(29)	(15)	(30)	(90)

31 December 2014	Up to 1 year €m	1 to 2 years €m	2 to 5 years €m	Over 5 years €m	Total €m
Forecast receivable cash flows	2,406	5,374	141	176	8,097
Forecast payable cash flows	(5)	(13)	(63)	(161)	(242)

The hedged cash flows are expected to impact the income statement in the following years:

31 December 2015	**Up to 1 year €m**	**1 to 2 years €m**	**2 to 5 years €m**	**Over 5 years €m**	**Total €m**
Forecast receivable cash flows	9,716	28	131	70	9,945
Forecast payable cash flows	(29)	(18)	(14)	(29)	(90)

31 December 2014	Up to 1 year €m	1 to 2 years €m	2 to 5 years €m	Over 5 years €m	Total €m
Forecast receivable cash flows	7,773	42	75	207	8,097
Forecast payable cash flows	(8)	(15)	(42)	(177)	(242)

During the year ended 31 December 2015, there were no forecast transactions to which the Group had applied hedge accounting which were no longer expected to occur. During the year ended 31 December 2014, cash flow hedging was discontinued on forecast interest payments on a Danish Krone (DKK) borrowing of DKK 485 million, which were no longer expected to occur.

21 Other financial assets at fair value through profit or loss

	31 December 2015 €m	31 December 2014 €m
Assets linked to policyholder liabilities		
Equity securities	7,668	7,618
Government bonds	1,194	971
Unit trusts	951	928
Debt securities	808	405
	10,621	**9,922**
Other financial assets		
Government bonds	1,223	1,210
Other	436	396
	1,659	**1,606**
Other financial assets at fair value through profit or loss	**12,280**	**11,528**

A portion of the Group's life assurance business takes the legal form of investment contracts, under which legal title to the underlying investment is held by the Group, but the inherent risks and rewards in the investments are borne by the policyholders. Due to the nature of these contracts, the carrying value of the assets is always the same as the value of the liabilities due to policyholders and any change in the value of the assets results in an equal change in the value of the amounts due to policyholders. The associated liabilities are included in liabilities to customers under investment contracts and insurance contract liabilities on the balance sheet. At 31 December 2015, such assets amounted to €10,621 million (31 December 2014: €9,922 million).

Other financial assets of €1,659 million (31 December 2014: €1,606 million) primarily relate to assets held by the Group's life assurance business for solvency margin purposes or as backing for non-linked policyholder liabilities.

22 Loans and advances to banks

	31 December 2015 €m	31 December 2014 €m
Placements with other banks	2,830	3,064
Mandatory deposits with central banks	1,568	1,411
Securities purchased with agreement to resell	150	27
Funds placed with the Central Bank of Ireland not on demand	30	349
Loans and advances to banks	**4,578**	**4,851**

22 Loans and advances to banks (continued)

Placements with other banks includes cash collateral of €1.3 billion (31 December 2014: €1.3 billion) placed with derivative counterparties in relation to net derivative liability positions (note 20).

Mandatory deposits with central banks includes €1,437 million relating to collateral in respect of the Group's issued bank notes in Northern Ireland (31 December 2014: €1,283 million).

The Group has entered into transactions to purchase securities with agreement to resell and has accepted collateral that it is permitted to sell or repledge in the absence of default by the owner of the collateral. The fair value of this collateral at 31 December 2015 was €150 million (31 December 2014: €27 million).

Loans and advances to banks of €4,578 million (31 December 2014: €4,851 million) included €341 million (31 December 2014: €349 million) of assets held on behalf of Bank of Ireland Life policyholders.

For the purpose of disclosure of credit risk exposures, loans and advances to banks of €4,578 million are included within other financial instruments of €27.2 billion (31 December 2014: €30.1 billion) in the table in the Risk Management Report on page 94.

23 Available for sale financial assets

	31 December 2015 €m	31 December 2014 €m
Government bonds	5,700	8,276
Other debt securities		
- listed	3,930	4,941
- unlisted	371	315
Equity securities		
- listed	-	1
- unlisted	127	47
Available for sale financial assets	**10,128**	**13,580**

Included within unlisted debt securities are subordinated bonds issued by NAMA with a nominal value of €281 million (31 December 2014: €281 million) and a fair value of €269 million (31 December 2014: €232 million). These bonds represented 5% of the nominal consideration received for assets sold to NAMA in 2010, with the remaining 95% received in the form of NAMA senior bonds. The subordinated bonds are not guaranteed by the State and the payment of interest and repayment of capital is dependent on the performance of NAMA. The Group updated its valuation of the bonds to 96% of their nominal value at 31 December 2015 from 83% at 31 December 2014. The increase in the valuation has been recognised in other comprehensive income.

At 31 December 2015, available for sale financial assets with a fair value of €0.1 billion (31 December 2014: €1.6 billion) had been pledged to third parties in sale and repurchase agreements. The Group has not derecognised any securities delivered in such sale and repurchase agreements on the balance sheet.

23 Available for sale financial assets (continued)

The movement on available for sale financial assets is analysed as follows:

	31 December 2015 €m	31 December 2014 €m
At beginning of year	13,580	12,104
Additions	2,648	3,844
Disposals	(2,746)	(2,751)
Reclassifications	(1,955)	-
Redemptions	(1,563)	(469)
Revaluation, exchange and other adjustments	164	852
At end of year	**10,128**	**13,580**

During the year ended 31 December 2015, the Group sold available for sale financial assets of €2.7 billion (31 December 2014: €2.8 billion) which resulted in a transfer of €207 million from the available for sale reserve to the income statement (31 December 2014: €192 million) (note 10).

During the year ended 31 December 2015, the Group continued to review its liquid asset portfolio and related strategies. One outcome of the review was a decision to reclassify Irish Government bonds with a fair value of €1.95 billion (€1.5 billion nominal) from available for sale to held to maturity. See note 24 for further details.

The Group has recognised a gain of €75 million through Other comprehensive income on the revaluation of its shareholding in Visa Europe, following the announcement during the year of Visa Inc.'s proposed acquisition of Visa Europe.

During the years ended 31 March 2009 and 31 December 2013, the Group reclassified available for sale financial assets with a carrying amount and fair value of €459 million to loans and advances to customers with expected recoverable cash flows of €805 million. For assets reclassified during the year ended 31 March 2009 the effective interest rate at the date of reclassification ranged from 0.73% to 7.12%, and for assets reclassified during year ended 31 December 2013 was 5.17%. At the date of these reclassifications, the Group had the intention and ability to hold these assets for the foreseeable future or until maturity.

The carrying amount and fair value of these assets as at 31 December 2015 and 31 December 2014 are set out as follows:

	31 December 2015		31 December 2014	
	Carrying amount €m	**Fair value €m**	Carrying amount €m	Fair value €m
AFS financial assets reclassified to loans and advances to customers	150	153	197	199

Interest income of €9 million (year ended 31 December 2014: €14 million) and a reversal of an impairment charge of €4 million (year ended 31 December 2014: €3 million) have been recognised in the income statement for the year ended 31 December 2015 in relation to these assets. If the assets had not been reclassified a fair value gain of €4 million (year ended 31 December 2014: €12 million) would have been recognised in Other comprehensive income.

24 Held to maturity financial assets

	31 December 2015 €m	31 December 2014 €m
Government bonds	1,922	-
Held to maturity financial assets	**1,922**	**-**

During the year ended 31 December 2015, the Group undertook a review of its liquid asset portfolio and related strategies. One outcome of the review was a decision to reclassify Irish Government bonds with a fair value of €1.95 billion (€1.5 billion nominal) from available for sale to held to maturity reflecting, amongst other factors, the underlying investment strategy attaching to that element of the portfolio, and the Group's positive intention and ability to hold these bonds to maturity.

Following the reclassification as held to maturity, the bonds are measured at amortised cost, with their fair value of €1.95 billion at the date of reclassification becoming their new amortised cost at that date. Subsequent changes in the fair values of the bonds are no longer recognised in other comprehensive income. The gain on the reclassified Government bonds previously recognised in other comprehensive income and accumulated in the available for sale reserve is now being amortised to interest income in the Consolidated income statement over the remaining life of the assets using the effective interest method. The amount amortised to interest income in 2015 amounted to €11 million (2014: €nil).

Further details on the Group's accounting policies for held to maturity financial assets and reclassifications to this category are set out on page 183.

25 NAMA senior bonds

	31 December 2015 €m	31 December 2014 €m
NAMA senior bonds	**1,414**	**2,374**

The Group received as consideration for the assets transferred to NAMA in 2010 a combination of Government guaranteed bonds (NAMA senior bonds) issued by NAMA (95% of the nominal consideration), and non-guaranteed subordinated bonds issued by NAMA (5% of nominal consideration).

The interest rate on the NAMA senior bonds is six month Euribor, set semi-annually on 1 March (March 2015: 0.114%) and 1 September (September 2015: 0.039%). The contractual maturity of these bonds is 1 March 2016. NAMA may, only with the consent of the Group, settle the bonds by issuing new bonds with a maturity date of up to 364 days. On 2 February 2016, the Group agreed to accept the issuance of new bonds, maturing on 1 March 2017, in settlement of the existing debt.

During the year ended 31 December 2015, NAMA redeemed senior bonds held by the Group with a nominal value of €968 million (year ended 31 December 2014: €1,602 million).

26 Loans and advances to customers

	31 December 2015 €m	31 December 2014 €m
Loans and advances to customers	88,262	87,707
Finance leases and hire purchase receivables (see below)	2,313	1,834
	90,575	89,541
Less allowance for impairment charges on loans and advances to customers (note 28)	(5,886)	(7,423)
Loans and advances to customers	**84,689**	**82,118**
Amounts include		
Due from joint ventures and associates	144	96

Finance leases and hire purchase receivables

Loans and advances to customers include finance leases and hire purchase receivables, which are analysed as follows:

	31 December 2015 €m	31 December 2014 €m
Gross investment in finance leases:		
Not later than 1 year	930	781
Later than 1 year and not later than 5 years	1,598	1,231
Later than 5 years	7	6
	2,535	2,018
Unearned future finance income on finance leases	(222)	(184)
Net investment in finance leases	**2,313**	**1,834**
The net investment in finance leases is analysed as follows:		
Not later than 1 year	851	713
Later than 1 year and not later than 5 years	1,456	1,116
Later than 5 years	6	5
	2,313	**1,834**

The Group's material leasing arrangements include the provision of instalment credit and leasing finance for both consumer and business customers.

At 31 December 2015, the accumulated allowance for uncollectable minimum lease payments receivable was €nil (31 December 2014: €20 million).

Securitisations

Loans and advances to customers include balances that have been securitised but not derecognised, comprising both residential mortgages and commercial loans. In general, the assets, or interests in the assets, are transferred to structured entities, which then issue securities to third party investors or to other entities within the Group. All of the Group's securitisation structured entities are consolidated. See note 52 for further details.

27 Assets classified as held for sale

	31 December 2015 €m	31 December 2014 €m
Partholon loan portfolio	20	-
Assets of SPV - Galleri K Retail Aps	-	135
Assets classified as held for sale	**20**	**135**

Partholon CDO 1 plc, a securitisation vehicle in the Corporate and Treasury division, is in the process of disposing of its remaining portfolio of assets following receipt of a redemption notice from investors in December 2015. As a result, these assets have been reclassified from loans and advances to customers to assets classified as held for sale. The assets continue to be measured at amortised cost using the effective interest method, net of impairments and the disposals are expected to be completed in 2016.

During 2014, following a review of the rental market in Copenhagen, the Group decided to sell a special purpose vehicle, Galleri K Retail Aps, which owned of a large block of high street retail in Copenhagen and forms part of the Retail Ireland division. The sale was completed in 2015 resulting in a gain of €23 million.

28 Impairment provisions

The following tables show the movement in the impairment provisions on total loans and advances to customers during the year ended 31 December 2015 and 31 December 2014.

31 December 2015	**Residential mortgages €m**	**Non-Property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total impairment provisions €m**
Provision at 1 January 2015	1,604	1,699	3,935	185	7,423
Exchange adjustments	7	20	81	2	110
Charge / (reversal) in income statement	(96)	149	246	(3)	296
Provisions utilised	(230)	(429)	(1,357)	(62)	(2,078)
Other movements	12	6	96	21	135
Provision at 31 December 2015	**1,297**	**1,445**	**3,001**	**143**	**5,886**

31 December 2014	Residential mortgages €m	Non-Property SME and corporate €m	Property and construction €m	Consumer €m	Total impairment provisions €m
Provision at 1 January 2014	2,003	1,909	4,118	211	8,241
Exchange adjustments	8	25	90	4	127
Charge / (reversal) in income statement	(148)	219	450	21	542
Provisions utilised	(275)	(456)	(827)	(72)	(1,630)
Other movements	16	2	104	21	143
Provision at 31 December 2014	1,604	1,699	3,935	185	7,423

Provisions include specific and 'incurred but not reported' (IBNR) provisions. IBNR provisions are recognised on all categories of loans for incurred losses not specifically identified but which, experience and observable data indicate, are present in the portfolio at the date of assessment.

Provisions utilised reflect impairment provisions which have been utilised against the related loan balance; the utilisation of a provision does not, of itself, alter a customer's obligations nor does it impact on the Group's rights to take relevant enforcement action.

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29 Interest in associates

	31 December 2015 €m	31 December 2014 €m
At beginning of year	56	89
Share of results after tax	8	41
Increase in investments	5	11
Fair value and other movements	-	1
Decrease in investments	(13)	(86)
At end of year	**56**	**56**

In presenting details of the associates of the Group, the exemption permitted by Section 316 of the Companies Act 2014 has been availed of and the Group will annex a full listing of associates to its annual return to the Companies Registration Office.

30 Interest in joint ventures

Joint ventures (JV)	31 December 2015 €m	31 December 2014 €m
At beginning of year	233	209
Exchange adjustments	10	9
Additions	15	-
Share of results after tax (note 16)	38	51
- First Rate Exchange Services	*49*	*43*
- Property unit trust	*4*	*8*
- Other joint ventures	*(15)*	*-*
Dividends received	(48)	(36)
Disposal	(124)	-
Reclassifications	(41)	-
At end of year	**83**	**233**

During the year ended 31 December 2015, the Group sold the majority of its investment in a UK property unit trust for £93 million. The remaining interest continues to be held by the Group and has been reclassified to other financial assets at fair value through profit or loss.

For further information on joint ventures refer to note 52 Interests in other entities.

31 Intangible assets

	Computer software externally purchased €m	Computer software internally generated €m	Other externally purchased intangible assets €m	Total €m
Cost				
At 1 January 2015	**117**	**1,066**	**183**	**1,366**
Exchange adjustments	1	11	9	21
Additions	-	168	34	202
Disposals / write-offs	(4)	(12)	(7)	(23)
At 31 December 2015	**114**	**1,233**	**219**	**1,566**
Accumulated amortisation				
At 1 January 2015	**(115)**	**(732)**	**(109)**	**(956)**
Exchange adjustments	(1)	(9)	(5)	(15)
Disposals / write-offs	4	12	7	23
Charge for the year (note 12)	(1)	(74)	(17)	(92)
At 31 December 2015	**(113)**	**(803)**	**(124)**	**(1,040)**
Net book value at 31 December 2015	**1**	**430**	**95**	**526**

Intangible assets predominantly comprise computer software that is developed internally by the Group and purchased computer software.

Impairment review - intangible assets

Intangible assets have been reviewed for any indication that impairment may have occurred. Where any such indication exists impairment has been measured by comparing the carrying value of the intangible asset to its recoverable amount. There was no impairment identified in the year ended 31 December 2015 (year ended 31 December 2014: €nil).

	Computer software externally purchased €m	Computer software internally generated €m	Other externally purchased intangible assets €m	Total €m
Cost				
At 1 January 2014	145	1,032	175	1,352
Exchange adjustments	2	11	9	22
Additions	-	111	1	112
Disposals / write-offs	(30)	(88)	(2)	(120)
At 31 December 2014	117	1,066	183	1,366
Accumulated amortisation				
At 1 January 2014	(139)	(747)	(92)	(978)
Exchange adjustments	(1)	(9)	(6)	(16)
Disposals / write-offs	30	88	2	120
Charge for the year (note 12)	(5)	(64)	(13)	(82)
At 31 December 2014	(115)	(732)	(109)	(956)
Net book value at 31 December 2014	2	334	74	410

32 Investment properties

	31 December 2015 €m	31 December 2014 €m
At beginning of year	701	805
Exchange adjustment	14	20
Reclassifications	-	(135)
Additions	80	57
Revaluation	80	94
Disposals	(34)	(140)
At end of year	**841**	**701**

Rental income from investment property amounted to €70 million for the year ended 31 December 2015 (year ended 31 December 2014: €51 million). Expenses directly attributable to investment property generating rental income amounted to €11 million for the year ended 31 December 2015 (year ended 31 December 2014: €10 million). There were no expenses directly attributable to investment properties which are not generating rental income for the year ended 31 December 2015 or the year ended 31 December 2014.

At 31 December 2015, the Group held investment property of €841 million (31 December 2014: €701 million) on behalf of Bank of Ireland Life policy holders.

33 Property, plant and equipment

	Freehold land and buildings and long leaseholds (held at fair value) €m	Adaptations (at cost) €m	Computer and other equipment (at cost) €m	Finance lease assets (at cost) €m	Payments on accounts and assets in the course of construction (at cost) €m	Total €m
Cost or valuation						
At 1 January 2015	144	181	467	19	6	817
Exchange adjustments	3	2	9	-	-	14
Additions	-	1	5	2	15	23
Disposals / write-offs	-	(1)	(13)	-	-	(14)
Reversal of impairment (note 12)	6	-	-	-	-	6
Revaluation recognised in other comprehensive income	14	-	-	-	-	14
Reclassifications	-	6	10	-	(16)	-
At 31 December 2015	**167**	**189**	**478**	**21**	**5**	**860**
Accumulated depreciation						
At 1 January 2015	-	(116)	(363)	(14)	-	(493)
Exchange adjustments	-	(1)	(6)	-	-	(7)
Disposals / write-offs	-	1	11	-	-	12
Charge for the year (note 12)	-	(11)	(23)	(4)	-	(38)
At 31 December 2015	**-**	**(127)**	**(381)**	**(18)**	**-**	**(526)**
Net book value at 31 December 2015	**167**	**62**	**97**	**3**	**5**	**334**

Property, plant and equipment at 31 December 2015 held at fair value was €167 million (31 December 2014: €144 million). The historical cost of property, plant and equipment held at fair value at 31 December 2015 was €105 million (31 December 2014: €102 million). The net book value of property, plant and equipment at 31 December 2015 held at cost less accumulated depreciation and impairment amounted to €167 million (31 December 2014: €180 million).

33 Property, plant and equipment (continued)

	Freehold land and buildings and long leaseholds (held at fair value) €m	Adaptations (at cost) €m	Computer and other equipment (at cost) €m	Finance lease assets (at cost) €m	Payments on accounts and assets in the course of construction (at cost) €m	Total €m
Cost or valuation						
At 1 January 2014	132	175	477	18	6	808
Exchange adjustments	5	1	6	1	-	13
Additions	-	-	5	-	20	25
Disposals / write-offs	(2)	(1)	(36)	-	-	(39)
Reversal of impairment (note 12)	9	-	-	-	-	9
Revaluation recognised in other comprehensive income	1	-	-	-	-	1
Reclassifications	(1)	6	15	-	(20)	-
At 31 December 2014	144	181	467	19	6	817
Accumulated depreciation						
At 1 January 2014	-	(105)	(371)	(10)	-	(486)
Exchange adjustments	-	(2)	(6)	-	-	(8)
Disposals / write-offs	-	1	36	-	-	37
Charge for the year (note 12)	-	(10)	(22)	(4)	-	(36)
At 31 December 2014	-	(116)	(363)	(14)	-	(493)
Net book value at 31 December 2014	144	65	104	5	6	324

Property

A revaluation of Group property was carried out as at 31 December 2015.

Future capital expenditure

The table below shows future capital expenditure in relation to both property, plant and equipment and intangible assets.

Future capital expenditure	**31 December 2015 €m**	31 December 2014 €m
Contracted but not provided for in the financial statements	11	4
Authorised by the Directors but not contracted	194	154

Operating leases

The Group leases a number of branch and office premises to carry out its business. The commercial leases typically are 25 to 35 year operating leases with five-yearly rent reviews. The majority of the rent reviews are on an upwards only basis. Some leases also include break options. The Group also holds a number of short-term leases for less than ten years and a number of long-term leases at market rent with less than 135 years unexpired. On expiry of long-term leases greater than ten years the Group has rights of renewal in the majority of the leases.

33 Property, plant and equipment (continued)

Minimum future rentals are the rentals payable under operating leases up to the next available break option where this exists or to expiry date of the lease. Both the required break option notice period and the amount of any penalty rent have been included in the amounts payable below.

The Group has entered into a small number of sub-leases as lessor which represent properties and components of properties surplus to the Group's own requirements.

Minimum future rentals under non-cancellable operating leases are as follows:

	Payable 31 December 2015 €m	**Receivable 31 December 2015 €m**	Payable 31 December 2014 €m	Receivable 31 December 2014 €m
Not later than 1 year	62	3	66	5
Later than 1 year and not later than 5 years	211	10	218	10
Later than 5 years	421	6	459	7

Included in the table above, at 31 December 2015, is an amount of €14 million in relation to sub-lease rental (31 December 2014: €16 million).

Finance leases
The Group leases computer equipment under finance lease agreements. The leases range from one to five years, contain no material contingent rents or restrictions imposed by lease agreements and contain standard terms of renewal.

	At 31 December 2015			At 31 December 2014		
	Total minimum future payments €m	**Future finance charges €m**	**Present value of finance lease commitments €m**	Total minimum future payments €m	Future finance charges €m	Present value of finance lease commitments €m
Not later than 1 year	3	-	2	4	-	4
Later than 1 year not later than 5 years	2	-	2	3	-	3
Later than 5 years	-	-	-	-	-	-

The net carrying amount of the assets held under finance leases at 31 December 2015 was €4 million (31 December 2014: €7 million).

34 Other assets

	31 December 2015 €m	31 December 2014 €m
Reinsurance asset	1,323	1,322
Value of in Force of life assurance business (note 58)	544	547
Interest receivable	331	389
Sundry and other debtors	298	298
Accounts receivable and prepayments	144	149
Other assets	**2,640**	**2,705**
Other assets are analysed as follows:		
Within 1 year	701	752
After 1 year	1,939	1,953
	2,640	**2,705**
The movement in the reinsurance asset is noted below:		
At beginning of year	1,322	1,023
New business	112	143
Changes in business	(111)	156
At the end of the year	**1,323**	**1,322**

For the purpose of disclosure of credit risk exposures, the reinsurance asset is included within other financial instruments of €27.2 billion (31 December 2014: €30.1 billion) in the table in the Risk Management Report on page 94.

35 Deposits from banks

	31 December 2015 €m	31 December 2014 €m
Securities sold under agreement to repurchase	123	2,899
- Private market repos	*103*	*1,175*
- Monetary Authorities	*20*	*1,724*
Deposits from banks	829	956
Deposits from banks	**952**	**3,855**

Deposits from banks include cash collateral of €0.5 billion (31 December 2014: €0.6 billion) received from derivative counterparties in relation to net derivative asset positions (note 20).

	31 December 2015					31 December 2014				
Monetary Authority funding	**LTRO €m**	**MRO €m**	**TLTRO €m**	**ILTR €m**	**Total €m**	LTRO €m	MRO €m	TLTRO €m	ILTR €m	Total €m
Deposits from Banks	-	-	-	20	20	1,040	100	545	39	1,724
Debt securities in issue (note 37)	-	-	1,495	-	1,495	615	1,150	950	-	2,715
Total	**-**	**-**	**1,495**	**20**	**1,515**	**1,655**	**1,250**	**1,495**	**39**	**4,439**

During the year ended 31 December 2015, the Group's Main Refinancing Operations (MRO) and Long Term Refinancing Operations (LTRO) funding were repaid.

Index Long Term Repo (ILTR) funding from the Bank of England has a maturity of less than one year.

The Group's Targeted Longer-Term Refinancing Operations (TLTROs) borrowings will be repaid between September 2016 and September 2018, in line with the terms and conditions of the TLTRO facility.

36 Customer accounts

	31 December 2015 €m	31 December 2014 €m
Term deposits and other products	32,666	33,733
Demand deposits	23,946	21,014
Current accounts	23,552	20,090
Customer accounts	**80,164**	**74,837**
Amounts include:		
Due to associates and joint ventures	31	69

At 31 December 2015, the Group's largest 20 customer deposits amounted to 3% (31 December 2014: 5%) of customer accounts. Information on the contractual maturities of customer accounts is set out on page 105 in the Risk Management Report.

Deposit accounts where a period of notice is required to make a withdrawal are classified within term deposits and other products. An analysis of the contractual maturity profile of customer accounts is set out in note 53.

Term deposits and other products include a number of term accounts that contain easy access features. These allow the customer to access a portion or all of their deposit notwithstanding that this repayment could result in financial penalty being paid by the customer. For such accounts, the portion subject to the potential early access has been classified in the 'demand' category in the liquidity risk and profile note (see page 274).

Term deposits and other products include €29 million (31 December 2014: €557 million) relating to sale and repurchase agreements with financial institutions who do not hold a banking licence.

Under the European Communities (Deposit Guarantee Schemes) Regulations, 1995 as amended in line with the Government's announcement of 20 September 2008, deposits of up to €100,000 per eligible depositor per credit institution authorised by the CBI are protected by the Irish Deposit Guarantee Scheme. This Scheme covers current accounts, demand deposit accounts and term deposit accounts and is funded by the Credit Institutions lodging funds in a deposit protection account maintained at the CBI.

On 24 November 2015, the European Commission released a proposal, European Deposit Insurance Scheme (EDIS), designed to achieve a common European deposit protection scheme by 2024.

The Bank Recovery and Resolution Directive (BRRD) provides that covered deposits (i.e. eligible deposits up to €100,000) are excluded from the scope of the bail-in tool. The bail-in tool enables a resolution authority to write down the value of certain liabilities or convert them into equity, to the extent necessary to absorb losses and recapitalise an institution. It also introduces 'depositor preference', where shareholders' equity and other unsecured creditors (including senior bondholders) will have to be fully written down before losses are imposed on preferred depositors. The bail-in rules allow in exceptional circumstances for the exclusion or partial exclusion of certain liabilities (with a key focus being eligible deposits) from the application of the write down or conversion powers. The Group and other Irish authorised banks and investments firms within the scope of the BRRD pay a resolution levy through the Bank and Investment Firm Resolution (BIFR). During the year ended 31 December 2015, the Group incurred costs of €7 million in relation to the newly established BIFR fund (note 12).

In addition to the deposits covered by these Regulations and by the ELG Scheme, certain other Group deposits are covered by the deposit protection schemes in other jurisdictions, chiefly the UK Financial Services Compensation Scheme (in respect of deposits issued by Bank of Ireland (UK) plc).

37 Debt securities in issue

	31 December 2015 €m	31 December 2014 €m
Bonds and medium term notes	10,286	11,621
Monetary Authorities (note 35)	1,495	2,715
Other debt securities in issue	1,462	1,704
Debt securities in issue	**13,243**	**16,040**

The movement on debt securities in issue is analysed as follows:

	31 December 2015 €m	31 December 2014 €m
Opening balance	16,040	15,280
Issued during the year	4,076	4,220
Redemptions	(6,895)	(2,974)
Repurchases	(45)	(698)
Other movements	67	212
Closing balance	**13,243**	**16,040**

38 Liabilities to customers under investment and insurance contracts

Investment contract liabilities	31 December 2015 €m	31 December 2014 €m
Liabilities to customers under investment contracts, at fair value	**5,729**	**5,680**

The movement in gross life insurance contract liabilities can be analysed as follows:

Insurance contract liabilities	31 December 2015 €m	31 December 2014 €m
At beginning of year	9,918	8,502
New business	1,343	1,397
Changes in existing business	(858)	19
At end of year	**10,403**	**9,918**

Bank of Ireland Life writes the following life assurance contracts that contain insurance risk:

Non-unit linked life assurance contracts
These contracts provide the policyholder with insurance in the event of death, critical illness or permanent disability (principally mortality and morbidity risk).

Non-unit linked annuity contracts
These contracts provide the policyholder with an income until death (principally longevity and market risk).

38 Liabilities to customers under investment and insurance contracts (continued)

Linked insurance contracts
These contracts include both policies primarily providing life assurance protection and policies providing investment but with a level of insurance risk deemed to be significant (principally mortality and market risk).

Insurance contract liabilities, which consist of both unit linked and non-unit linked liabilities, are calculated in accordance with the Insurance Regulations. Unit linked liabilities reflect the value of the underlying funds in which the policyholder is invested. Non-unit linked liabilities are calculated using either a gross premium or net premium method of valuation.

The assumptions are also set out in accordance with the guidelines within the Insurance Regulations and contain a margin for adverse development. The key assumptions used in the valuation of insurance contract liabilities are:

Interest rate:	The interest rates are derived in accordance with the guidelines in the Insurance Regulations. Margins for risk are allowed for in the derived interest rates.
Mortality and morbidity:	The mortality and morbidity assumptions, which include an allowance for improvements in longevity for annuitants, are set with regard to the Group's actual experience and / or relevant industry data.
Maintenance expenses:	Allowance is made for future policy costs and expense inflation explicitly.

Options and guarantees
The Group has a very limited range of options and guarantees in its business portfolio as the bulk of the business is unit linked without investment guarantees. Where investment guarantees do exist they are either hedged with an outside party or matched through appropriate investment assets.

Uncertainties associated with insurance contract cash flows and risk management activities
For life assurance contracts where death is the insured risk, the most significant factors that could adversely affect the frequency and severity of claims are the incidence of disease and general changes in lifestyle. Where the insured risk is longevity, advances in medical care is the key factor that increases longevity. The Group manages its exposures to insurance risks through a combination of applying strict underwriting criteria, asset and liability matching, transferring risk to reinsurers and the establishment of prudent insurance contract liabilities.

Credit risk
Reinsurance programmes are in place to restrict the amount of exposure on any single life. The Group uses a panel of highly rated reinsurance companies to diversify credit risk.

Capital management and available resources
The Group holds technical reserves to meet its liabilities to policyholders based on prudent actuarial assumptions. In addition, the Central Bank requires the Group's life assurance operation to hold shareholder equity that exceeds a statutory margin, the required minimum regulatory solvency margin. The table below sets out the shareholder equity held by the Group's life assurance business compared to the required minimum regulatory solvency margin as at 31 December 2015.

	31 December 2015 €m	31 December 2014 €m
Minimum regulatory solvency margin	193	191
Shareholder equity held for life business	393	325

39 Other liabilities

	31 December 2015 €m	31 December 2014 €m
2009 Preference Stock	1,416	-
- 2009 Preference Stock to be redeemed	*1,300*	-
- Dividend	*116*	-
Notes in circulation	1,298	1,121
Accrued interest payable	406	532
Sundry creditors	306	344
Accruals and deferred income	178	163
Finance lease obligations	4	6
Other	495	462
Other liabilities	**4,103**	**2,628**
Other liabilities are analysed as follows:		
Within 1 year	3,990	2,514
After 1 year	113	114
	4,103	**2,628**

On 23 November 2015, the Group announced that it would exercise its discretion to redeem the remaining 2009 Preference Stock with a nominal value of €1.3 billion at par on 4 January 2016 and served notice of redemption to holders of the stock. As a result a financial liability was recognised to redeem the stock within the Group's Other liabilities at a fair value of €1,297 million with a corresponding reduction in Stockholders' equity through the creation of a reserve for 2009 Preference Stock to be redeemed within Other reserves. A liability was also recognised in respect of the obligation to make a final dividend payment of €116 million on the redemption date of 4 January 2016. This has been deducted from Retained earnings in the year ended 31 December 2015. The full liability of €1,416 million was settled on 4 January 2016. See note 46 for further details.

40 Provisions

	Restructuring €m	Onerous contracts €m	Legal and other €m	Total €m
As at 1 January 2015	49	4	32	85
Exchange adjustment	1	-	-	1
Charge to income statement	43	-	48	91
Utilised during the year	(57)	-	(5)	(62)
Unused amounts reversed during the year	(8)	-	(10)	(18)
As at 31 December 2015	**28**	**4**	**65**	**97**

Of the €28 million closing provision for restructuring, €9 million relates to staff exits and €19 million relates to property and other costs.

Expected utilisation	Restructuring €m	Onerous contracts €m	Legal and other €m	Total €m
Less than 1 year	14	-	50	64
1 to 2 years	6	1	1	8
2 to 5 years	5	1	11	17
5 to 10 years	3	1	3	7
More than 10 years	-	1	-	1
Total	**28**	**4**	**65**	**97**

40 Provisions (continued)

The Group has recognised provisions in relation to restructuring costs, onerous contracts, legal and other. Such provisions are sensitive to a variety of factors, which vary depending on their nature. The estimation of the amounts of such provisions is judgemental because the relevant payments are due in the future and the quantity and probability of such payments is uncertain.

The methodology and the assumptions used in the calculation of provisions are reviewed regularly and, at a minimum, at each reporting date.

41 Deferred tax

	31 December 2015 €m	31 December 2014 €m
The movement on the deferred tax account is as follows:		
At beginning of year	1,567	1,618
Income statement charge (note 18)	(209)	(92)
Available for sale financial assets - charge to other comprehensive income	(6)	(17)
Cash flow hedges credit / (charge) to other comprehensive income	13	(24)
Pensions and other retirement benefits	(6)	43
Revaluation of property	(3)	-
Other movements	29	39
At end of year	**1,385**	**1,567**
Deferred tax assets and liabilities are attributable to the following items:		
Deferred tax assets		
Unutilised tax losses	1,416	1,595
Pensions and other post retirement benefits	102	131
Accelerated capital allowances on equipment used by the Group	26	17
Provision for loan impairment	14	16
Other temporary differences	17	-
Deferred tax assets	**1,575**	**1,759**
Deferred tax liabilities		
Life companies	(69)	(74)
Available for sale reserve	(90)	(84)
Property revaluation surplus	(12)	(9)
Accelerated capital allowances on finance leases	-	(3)
Cash flow hedge reserve	(8)	(21)
Other temporary differences	(11)	(1)
Deferred tax liabilities	**(190)**	**(192)**
Represented on the balance sheet as follows:		
Deferred tax assets	1,453	1,638
Deferred tax liabilities	(68)	(71)
	1,385	**1,567**

In accordance with IAS 12, in presenting the deferred tax balances above the Group offsets deferred tax assets and liabilities where:

- an entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

41 Deferred tax (continued)

Deferred tax liabilities have not been recognised for tax that may be payable if earnings of certain overseas subsidiaries were remitted to Ireland as the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. Unremitted earnings for overseas subsidiaries totalled €159 million (31 December 2014: €145 million).

The deferred tax asset of €1,453 million (31 December 2014: €1,638 million) shown on the balance sheet is after netting by jurisdiction (€1,575 million before netting by jurisdiction, 31 December 2014: €1,759 million). This includes an amount of €1,416 million at 31 December 2015 (31 December 2014: €1,595 million) in respect of operating losses which are available to relieve future profits from tax. Of these losses approximately €1.2 billion relates to Irish tax losses and €0.2 billion relates to UK tax losses.

The UK Finance Act 2015 enacted a new loss restriction whereby banks will only be able offset 50% of their taxable profits arising from 1 April 2015 with trading losses brought forward from before that date. This restriction significantly lengthens the period over which the Group could use its UK trading losses and has been considered in the context of the deferred tax asset measurement and recognition at 31 December 2015.

The UK corporation tax rate will reduce to 19% for the years beginning on or after 1 April 2017 and 18% for years beginning on or after 1 April 2020. The reduction in the corporation tax rate to 18% from 1 April 2020 was substantively enacted at the balance sheet date and the effect of this change has been to reduce the deferred tax asset at 31 December 2015 by €26 million.

The UK government also announced that a new 8% corporation tax surcharge will apply on the taxable profits of UK banks from 1 January 2016. The surcharge is based on taxable profits prior to the utilisation of brought forward trading losses.

In order for the Group to recognise an asset for unutilised losses it must have convincing evidence of sufficient future taxable profits against which the losses can be utilised. The recognition of a deferred tax asset requires the Directors to be satisfied that it is probable that the Group will have sufficient future taxable profits against which the deferred tax assets can be utilised to the extent they have not already reversed.

The Group's projections of future taxable profits incorporate estimates and assumptions on economic factors such as employment levels and interest rates as well as other measures such as loan volumes and impairment losses. The Group projections are based on the current business plan. The Group assumes long-term growth in profitability thereafter. The use of alternative assumptions representing reasonably possible alternative outcomes would not impact the recognition of the Group's deferred tax assets, although they could increase or decrease the recovery period. If the projected rate of growth of taxable profits was increased or decreased by 2 percentage points, the Group estimates that this would respectively decrease or increase the recovery period for the majority of losses by up to one year.

Under current Irish and UK tax legislation there is no time restriction on the utilisation of trading losses and they would continue to be available for indefinite carry forward.

Notwithstanding the absence of any expiry date for trading losses in the UK, the Group has concluded that for the valuation of deferred tax asset purposes its brought forward trading losses within the Bank's UK branch (the 'UK branch') will be limited by reference to a 10 year period of projected UK branch profits at the prevailing UK tax rates. Any remaining unutilised UK branch carried forward trading losses have been recognised for deferred tax asset purposes at the Irish tax rate on the basis that it is expected that these will be utilised against future Bank profits in Ireland. This 10 year timescale is the period over which the Group believes it can conclude that it is probable that future taxable profits will be available in the UK branch. As a consequence, the carrying value of deferred tax assets relating to the UK branch trading losses has been reduced by €52 million as at 31 December 2015.

The Group has assessed the probability of future profits within the current business plans of both its Irish operations and Bank of Ireland (UK) plc and concluded that no similar limitation applies.

With the exception of the above for the UK branch, the deferred tax asset has been recognised on the basis that it is probable the trading losses will be recovered as the Directors are satisfied that it is probable that the Group will have sufficient future taxable profits against which the deferred tax assets can be utilised to the extent they have not already reversed.

41 Deferred tax (continued)

The Group expects to recover the majority of the deferred tax asset relating to trading losses within ten years of the balance sheet date. Under accounting standards these assets are measured on an undiscounted basis.

The amount of the deferred tax asset expected to be recovered after more than one year is c.€1.4 billion (31 December 2014: c.€1.5 billion). The amount of deferred tax liability expected to be settled after more than one year is c.€0.1 billion (31 December 2014: c.€0.1 billion).

Deferred tax assets have not been recognised in respect of US tax losses of €88 million (31 December 2014: €79 million) and US temporary differences of €2 million (31 December 2014: €3 million). At 31 December 2015, €32 million (31 December 2014: €29 million) of the tax losses expire in the period 2020 to 2028 with €56 million due to expire in 2029. There is no expiry date on the tax credits. Deferred tax assets have not been recognised in respect of these losses due to an annual limitation on use.

42 Retirement benefit obligations

The Group sponsors a number of defined benefit and defined contribution schemes in Ireland and overseas. The defined benefit schemes are funded and the assets of the schemes are held in separate trustee administered funds. In determining the level of contributions required to be made to each scheme and the relevant charge to the income statement the Group has been advised by independent actuaries, which in the case of the majority of the Group's schemes is Willis Towers Watson.

The most significant defined benefit scheme in the Group is the Bank of Ireland Staff Pensions Fund (BSPF) which accounts for approximately 75% of the total liabilities across all Group sponsored defined benefit schemes at 31 December 2015. The BSPF and all of the Group's other RoI and UK defined benefit schemes were closed to new members during 2007, and a new hybrid scheme (which included elements of defined benefit and defined contribution) was introduced for new entrants to the Group. The hybrid scheme was subsequently closed to new entrants in late 2014 and a new defined contribution scheme was introduced for new entrants to the Group from that date.

Retirement benefits under the BSPF and a majority of the other defined benefit plans are calculated by reference to pensionable service and pensionable salary at normal retirement date.

Regulatory Framework

The Group operates the defined benefit plans under broadly similar regulatory frameworks. Benefits under the BSPF are paid to members from a fund administered by Trustees, who are responsible for ensuring compliance with the Pensions Act 1990 and other relevant legislation. These responsibilities include ensuring that contributions are received, investing the scheme assets and making arrangements to pay the benefits. Plan assets are held in trusts and are governed by local regulations and practice in each country.

In order to assess the level of contributions required, triennial valuations are carried out with plan obligations generally measured using prudent assumptions and discounted based on the return expected from assets held in accordance with the actual scheme investment policy.

The BSPF is also subject to an annual valuation under the Irish Pensions Authority Minimum Funding Standard (MFS). The MFS valuation is designed to provide a check that a scheme has sufficient funds to provide a minimum level of benefits in a wind-up scenario. If the MFS valuation indicates a funding level of below 100%, action would be required. This generally takes the form of agreeing a 'Funding Proposal' with the Trustees with the aim of meeting the MFS at a specified future point in time.

The responsibilities of the Trustees, and the regulatory framework, are broadly similar for the Group's other defined benefit schemes and take account of pension regulations in each specific jurisdiction. The Group works closely with the Trustees of each scheme to manage the plans.

The nature of the relationship between the Group and the Trustees is governed by local regulations and practice in each country and by the respective legal documents underpinning each plan.

42 Retirement benefit obligations (continued)

Actuarial Valuation of the BSPF

The last formal triennial valuation of the BSPF, using the Attained Age method, was carried out as at 31 December 2012. The Attained Age method measures liabilities taking account of the projected future levels of pensionable earnings at the time of commencement of benefits i.e. at normal retirement date. For measurement of the obligation in the financial statements under IAS 19 the defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The triennial valuation disclosed that the fair value of scheme assets represented 88% of the benefits that had accrued to members, after allowing for expected future increases in earnings and pensions. Following acceptance of the Pensions 2013 Review the actuary recalculated the funding level of the scheme and the joint future service contribution rate taking account of the impact of post-retirement changes to benefits and assumptions. The fair value of the scheme assets represented 97% of the liabilities on this revised basis and the actuary recommended a joint future service contribution rate of 19.8% following this change (unchanged from 19.8% at the previous triennial valuation).

In addition to the future service contributions the Group continues to make additional contributions to mid-2016 to the BSPF arising from the 2010 Group Pensions Review. During 2015, the Group accelerated the payment of the full amount of the 2016 additional contributions to the BSPF and a portion of the additional contributions arising under the 2013 Group Pensions Review, totalling €150 million.

The next formal triennial valuation of the BSPF will be carried out during 2016 based on the position at 31 December 2015.

The actuarial valuations are available for inspection by members but are not available for public inspection.

Pension levy

The Irish Finance (No. 2) Act 2011 introduced a stamp duty levy of 0.6% on the market value of assets under management in Irish pension funds, for the years 2011 to 2014 (inclusive). The Irish Finance (No. 2) Act 2013 gave effect to an increase in the pension levy by 0.15% to 0.75% in 2014 and introduced a further levy of 0.15% in 2015. The levy is based on scheme assets as at 30 June in each year, or as at the end of the preceding scheme financial year.

The Group has recognised a charge of €7 million in respect of the 2015 pension levy through other comprehensive income for the year ended 31 December 2015 (year ended 31 December 2014: €33 million).

During 2012 and 2013, the Group and the Trustees of the Bank of Ireland Staff Pensions Fund (BSPF) agreed that in exchange for additional security for scheme members, the cost of the pension levies incurred from 2011 to 2013 would be borne by the relevant Republic of Ireland scheme members, in the form of adjustments to members' benefits. The additional security was provided by a charge over a portfolio of Group assets (a contingent asset) with an initial value of €250 million which reduced to €nil at 31 December 2015 as the scheme's assets exceeded the core liabilities under the Minimum Funding Standard by a satisfactory margin for an agreed period of time. There was no recovery in respect of the BSPF pension levy during 2014 or 2015, as discussions with the Trustees of the BSPF are still ongoing. Following discussions with the Group, the Trustees of the BIF, ICS and BAPF schemes accepted that the cost of the levies incurred from 2011 to 2015 would be borne by the relevant Republic of Ireland scheme members, in the form of an adjustment to member's benefits, resulting in a negative past service cost of €1 million in the income statement during the year ended 31 December 2015 (31 December 2014: €4 million).

The Group UK Pension Scheme has a charge over a portfolio of Group assets with a value of €34 million at 31 December 2015 (31 December 2014: €43 million).

Pensions 2013 Review

During 2015, the Group completed a review of a Group sponsored scheme under the Pensions 2013 Review programme and implemented amendments to benefits. Consistent with previous scheme reviews carried out as part of the Pensions 2013 Review, the objectives of this review were to continue to sponsor competitive pension arrangements and benefits and help secure the future viability of the scheme, while recognising the need to reduce the IAS 19 deficit and associated volatility over time.

The impact of the amendment to the Group sponsored scheme in 2015 has been recognised as a negative past service cost of €4 million (year ended 31 December 2014: negative past service cost of €93 million).

42 Retirement benefit obligations (continued)

The Group has agreed to increase its support for the scheme so as to broadly match the deficit reduction arising from the changes to potential benefits. A similar agreement is in place for the Bank of Ireland Staff Pensions Fund (BSPF) following the Pensions 2013 Review, i.e. the Group has agreed to increase its support for the BSPF between 2016 and 2020, above existing arrangements, so as to broadly match the IAS 19 deficit reduction. Similar arrangements are also in place for other smaller Group sponsored pension schemes.

Future deficit-reducing contributions arising from Pensions 2013 review in the form of cash or other suitable assets are estimated to be €350 million for the BSPF and c.€50 million for additional triennial valuation arrangements in the smaller schemes in the near term.

Settlement gain in 2015
During 2015, a settlement gain of €6 million was recognised in the income statement as a result of a liability management programme in one of the Group's defined benefit pension schemes.

Plan details
The following table sets out details of the membership of the BSPF.

Plan details at last valuation date (31 December 2012)	Number of members	Proportion of funding liability
Active members	8,598	37%
Deferred members	6,380	19%
Pensioner members	3,097	44%
Total	**18,075**	**100%**

Financial and Demographic assumptions
The assumptions used in calculating the accounting costs and obligations of the Group's defined benefit pension plans, as detailed below, are set by the Directors after consultation with independent actuaries.

Discount rates are determined in consultation with the Group's independent actuary with reference to market yields at the balance sheet date on high quality corporate bonds (AA rated or equivalent) with a term corresponding to the term of the benefit payments. The yield curve is extrapolated when the term of the benefit payments is longer than the term of available bonds and the single discount rate specified takes the shape of the yield curve and the benefit payments into account. The assumption for RoI price inflation is informed by reference to the European Central Bank inflation target for eurozone countries, which is to maintain inflation at close to but below 2% per annum, and to the long-term expectation for eurozone inflation as implied by the difference between eurozone fixed interest and indexed linked bonds. The assumptions for UK price inflation are informed by reference to the difference between yields on longer-term conventional government bonds and index-linked bonds with appropriate adjustments to reflect distortions due to supply and demand, except for UK CPI inflation, which is set by reference to RPI inflation, with an adjustment applied, as there are insufficient CPI-linked bonds from which to derive an assumption.

The salary assumption takes into account inflation, seniority, promotion and current employment markets relevant to the Group.

42 Retirement benefit obligations (continued)

Other demographic assumptions are reviewed in line with the actual experience of the Group's schemes. This resulted in a change in demographic assumptions, the impact of which was to reduce the Group's deficit by €17 million as at 31 December 2015 (31 December 2014: deficit reduction of €308 million).

The significant financial assumptions used in measuring the Group's defined benefit pension liability under IAS 19 are set out in the table below.

Financial assumptions	31 December 2015 % p.a.	31 December 2014 % p.a.
Irish schemes		
Discount rate	2.30	2.20
Inflation rate	1.60	1.50
Rate of general increase in salaries[1]	2.10	2.00
Rate of increase in pensions in payment[1]	1.04	0.96
Rate of increase to deferred pensions	1.55	1.45
UK schemes		
Discount rate	3.80	3.70
Consumer Price Inflation	2.30	2.25
Retail Price Inflation	3.30	3.25
Rate of general increase in salaries[1]	3.80	3.75
Rate of increase in pensions in payment[1]	2.21	2.17
Rate of increase to deferred pensions	2.30	2.25

[1] *Weighted average increase across all Group schemes.*

Mortality assumptions

The mortality assumptions adopted for Irish pension arrangements reflect both a base table and projected table developed from various Society of Actuaries in Ireland mortality investigations that are considered a best fit for the Group's expected future mortality experience.

	31 December 2015 years	31 December 2014 years
Longevity at age 70 for current pensioners		
Males	17.4	17.3
Females	19.0	18.8
Longevity at age 60 for active members currently aged 60 years		
Males	26.9	26.8
Females	28.7	28.6
Longevity at age 60 for active members currently aged 40 years		
Males	29.4	29.3
Females	30.9	30.8

42 Retirement benefit obligations (continued)

Amounts recognised in financial statements

The table below outlines where the Group's defined benefit plans are recognised in the financial statements

31 December 2015	**Irish Pension Plans €m**	**UK Pension[1] Plans €m**	**Total €m**
Income statement credit / (charge)			
- Other operating expenses	(126)	(22)	(148)
- Impact of amendments to defined benefit pension schemes, net of directly related expenses	-	4	4
- Cost of restructuring programme	(5)	-	(5)
Statement of other comprehensive income			
Impact of remeasurement	124	(27)	97
Balance sheet obligations	(702)	(34)	(736)
This is shown on the balance sheet as:			
Retirement benefit obligation			(755)
Retirement benefit asset			19
Total net liability			**(736)**

All figures above are shown before deferred tax.

31 December 2014	Irish Pension Plans €m	UK Pension[1] Plans €m	Total €m
Income statement credit / (charge)			
- Other operating expenses	(113)	(24)	(137)
- Impact of amendments to defined benefit pension schemes, net of directly related expenses	81	12	93
- Cost of restructuring programme	(4)	1	(3)
Statement of other comprehensive income			
Impact of remeasurement	(419)	23	(396)
Balance sheet obligations	(949)	(37)	(986)
This is shown on the balance sheet as:			
Retirement benefit obligation			(992)
Retirement benefit asset			6
Total net liability			(986)

[1] *The UK Pension Plans include a portion of the BSPF which relates to UK members.*

42 Retirement benefit obligations (continued)

The movement in the net defined benefit obligation over the year in respect of the Group's defined benefit plans is as follows:

	Present value of obligation €m	Fair value of plan assets €m	Surplus / (deficit) of plans €m
At 1 January 2015	**(7,525)**	**6,539**	**(986)**
Impact of Pensions 2013 Review			
- Negative past service cost	4	-	4
Cost of restructuring programme			
- Past service cost	(5)	-	(5)
Other operating expenses	(252)	104	(148)
- Current service cost	*(135)*	*-*	*(135)*
- Negative past service cost	*1*	*-*	*1*
- Interest (expense) / income	*(174)*	*154*	*(20)*
- Impact of settlements	*56*	*(50)*	*6*
Return on plan assets not included in income statement	-	10	10
Change in demographic assumptions	17	-	17
Change in financial assumptions	90	-	90
Experience gains	27	-	27
Employer contributions	-	302	302
- Deficit clearing[1]	*-*	*205*	*205*
- Other	*-*	*97*	*97*
Employee contributions	(13)	13	-
Benefit payments	198	(198)	-
Changes in exchange rates	(89)	42	(47)
At 31 December 2015	**(7,548)**	**6,812**	**(736)**

The above amounts are recognised in the financial statements as follows: (charge) / credit

Other operating expenses	(252)	104	(148)
Impact of amendments to defined benefit pension schemes, net of directly related costs	4	-	4
Cost of restructuring programme	(5)	-	(5)
Total amount recognised in income statement	**(253)**	**104**	**(149)**
Changes in financial assumptions	90	-	90
Return on plan assets not included in income statement	-	10	10
Change in demographic assumptions	17	-	17
Changes in exchange rates	(89)	42	(47)
Experience gains	27	-	27
Total remeasurements in other comprehensive income	**45**	**52**	**97**

Total Negative past service cost comprises	
Impact of amendments to defined benefit pension schemes	4
Impact of restructuring programme	(5)
Other operating expenses	1
Total	**-**

[1] *Deficit reducing contributions are additional contributions related to the Group's Pensions Reviews.*

42 Retirement benefit obligations (continued)

	Present value of obligation €m	Fair value of plan assets €m	Surplus / (deficit) of plans €m
At 1 January 2014	(6,253)	5,412	(841)
Impact of Pensions 2013 Review			
- Negative past service cost	93	-	93
Cost of restructuring programme			
- Past service cost	(3)	-	(3)
Other operating expenses	(340)	203	(137)
- Current service cost	*(113)*	-	*(113)*
- Negative past service cost	*3*	-	*3*
- Interest (expense) / income	*(230)*	*203*	*(27)*
Return on plan assets not included in income statement	-	739	739
Change in demographic assumptions	308	-	308
Change in financial assumptions	(1,430)	-	(1,430)
Experience gains	38	-	38
Employer contributions	-	297	297
- Deficit clearing[1]	-	*210*	*210*
- Other	-	*87*	*87*
Employee contributions	(13)	13	-
Benefit payments	170	(170)	-
Changes in exchange rates	(95)	45	(50)
At 31 December 2014	(7,525)	6,539	(986)

The above amounts are recognised in the financial statements as follows: (charge) / credit

Other operating expenses	(340)	203	(137)
Impact of amendments to defined benefit pension schemes, net of directly related costs	93	-	93
Cost of restructuring programme	(3)	-	(3)
Total amount recognised in income statement	(250)	203	(47)
Changes in financial assumptions	(1,430)	-	(1,430)
Return on plan assets not included in income statement	-	739	739
Change in demographic assumptions	308	-	308
Changes in exchange rates	(95)	45	(50)
Experience gains	38	-	38
Total remeasurements in other comprehensive income	(1,179)	784	(395)

Total Negative past service cost comprises	
Impact of amendments to defined benefit pension schemes	93
Impact of restructuring programme	(3)
Other operating expenses	3
Total	93

[1] *Deficit reducing contributions are additional contributions related to the Group's Pensions Reviews.*

42 Retirement benefit obligations (continued)

Asset breakdown	**31 December 2015 €m**	31 December 2014 €m
Equities (quoted)	1,863	1,886
Liability Driven Investment (unquoted)	1,413	1,489
Corporate bonds (quoted)	466	449
Property (unquoted)	339	417
Property and infrastructure (quoted)	388	202
Government bonds (quoted)	904	890
Cash and other (quoted)	495	392
Senior secured loans (unquoted)	226	212
Reinsurance (unquoted)	274	235
Hedge funds (unquoted)	254	234
Private equities (unquoted)	190	133
Total fair value of assets	**6,812**	**6,539**

The retirement benefit schemes' assets include Bank of Ireland stock amounting to €10 million (31 December 2014: €9 million) and property occupied by Bank of Ireland Group companies to the value of €37 million (31 December 2014: €31 million).

Sensitivity of defined benefit obligation to key assumptions

The table below sets out how the defined benefit obligation would have been affected by changes in the significant actuarial assumptions that were reasonably possible:

Impact on defined benefit obligation	**Change in assumption**	**Impact on actuarial liabilities increase / (decrease) 31 December 2015 €m**	Impact on actuarial liabilities increase / (decrease) 31 December 2014 €m
RoI schemes			
Discount rate	0.25% decrease	328	337
RPI inflation[1]	0.10% decrease	(81)	(83)
Salary growth	0.10% decrease	(26)	(23)
Life expectancy	1 year increase	179	179
UK schemes			
Discount rate	0.25% decrease	73	70
RPI inflation[1]	0.10% decrease	(19)	(17)
Salary growth	0.10% decrease	(3)	(4)
Life expectancy	1 year increase	34	32

The table below sets out the estimated sensitivity of plan assets to changes in equity markets and interest rates.

Impact on plan assets	**Change**	**Impact on plan assets increase / (decrease) 31 December 2015 €m**	Impact on plan assets increase / (decrease) 31 December 2014 €m
All schemes			
Sensitivity of plan assets to a fall in global equity markets with allowance for other correlated diversified asset classes	5.00% decrease	(128)	(120)
Sensitivity of liability-matching assets to a 10bps movement in interest rates	0.10% decrease	47	44

[1] *Including other inflation-linked assumptions (CPI inflation, pension increases, salary growth).*

42 Retirement benefit obligations (continued)

The sensitivity analysis is prepared by the independent actuaries calculating the defined benefit obligation under the alternative assumptions and the fair value of plan assets using alternative asset prices.

While the defined benefit obligation table above shows the estimated impact of an individual assumption change, a change in one assumption could impact on other assumptions due to the relationship between assumptions.

Some of the above changes in defined benefit obligation assumptions may have an impact on the value of the schemes' investment holdings. For example, the plans hold a proportion of their assets in corporate bonds. A fall in the discount rate as a result of lower corporate bond yields would be expected to lead to an increase in the value of these assets, thus partly offsetting the increase in the defined benefit obligation. The extent to which these sensitivities are managed is discussed further below.

Future cash flows
The plans' liabilities represent a long-term obligation and most of the payments due under the plans will occur several decades into the future.

The duration, or average term to payment for the benefits due weighted by liability, is c.21 years for the Irish plans and c.20 years for the UK plans.

Expected employer contributions for the year ended 31 December 2016 are €102 million. Expected employee contributions for the year ended 31 December 2016 are €12 million.

Risks and risk management
The Group's defined benefit pension plans have a number of areas of risk. The key areas of risk, and the ways in which the Group has sought to manage them, are set out in the following table.

The risks are considered from both a funding perspective, which drives the cash commitments of the Group, and from an accounting perspective, i.e. the extent to which such risks affect the amounts recorded in the Group's financial statements.

Changes in bond yields, interest rate and inflation risks, along with equity risk, are the defined benefit schemes' largest risks. From an accounting liability perspective, the schemes are also exposed to movements in corporate bond spreads. As part of its Risk Management the largest Group sponsored pension scheme, the BSPF has invested 27% in a Liability Driven Investment (LDI) approach to help manage its interest rate and inflation risk.

42 Retirement benefit obligations (continued)

Risk	Description
Asset volatility	The defined benefit pension plans hold a significant proportion of their assets in equities and other return-seeking assets. The returns on such assets tend to be volatile. For the purposes of the triennial valuation, the defined benefit liabilities, however, are calculated using a discount rate set with reference to government bond yields, with allowance for additional return to be generated from the investment portfolio. For measurement of the obligation in the financial statements under IAS 19 the defined benefit obligation is calculated using a discount rate set with reference to high-quality corporate bond yields. The movement in the asset portfolio is not fully correlated with the movement in the two liability measures and this means that the funding level is likely to be volatile in the short-term, potentially resulting in short-term cash requirements and an increase in the net defined benefit deficit recorded on the balance sheet. In order to limit the volatility in asset returns, the schemes' assets are well-diversified by investing in a range of asset classes, including listed equity, private equity, hedge funds, infrastructure, reinsurance, property, government bonds and corporate bonds. During 2015, the equity portfolio was further reduced and the Liability Driven Investment (LDI) portfolio increased. The fund also began to introduce 'Secured Income Assets' (SIA) into the portfolio. These are expected to reduce asset volatility and provide a better cash match to the fund's liabilities. The investment in bonds is discussed further below.
Changes in bond yields	The LDI approach invests in cash, government bonds and interest rate and inflation swaps to create a portfolio which is both inflation-linked and of significantly longer duration than possible in the physical bond market. The portfolio will broadly hedge against movements in long-term interest rates although it only hedges a portion of the BSPF's interest rate risks. Furthermore, the portfolio does not hedge against changes in the credit spread on corporate bonds used to derive the accounting liabilities. However, the investment in corporate and government bonds offers a further degree of matching, i.e. the movement in assets arising from changes in bond yields partially matches the movement in the funding or accounting liabilities. In this way, the exposure to movements in bond yields is further reduced.
Inflation risk	The majority of the plans' benefit obligations are linked to inflation and higher inflation will lead to higher liabilities, although in most cases caps on the level of inflationary increases are in place to protect the plans against high inflation and the Pensions 2013 Review changes have further limited this exposure. The LDI portfolio will broadly hedge against movements in inflation expectations although it only hedges a portion of the BSPF's inflation risks. Furthermore, the portfolio does not protect against differences between expectations for eurozone average inflation and the Fund's Irish inflation exposure.
Life expectancy	The majority of the plans' obligations are to provide a pension for the life of the member, which means that increases in life expectancy will result in an increase in the plans' liabilities.

Investment decisions are the responsibility of the Trustees and the Group supports the efficient management of risk including through the appointment of a Group Pensions Chief Investment Officer. The role of Group Pensions Chief Investment Officer is to advise and support the Trustees of the Group sponsored pension schemes in the design, implementation and management of investment strategy to meet the various scheme liabilities. The duties include, but not are limited to, the identification and management of risks such as the risk of insufficient asset returns, changing interest rates, inflation, counterparty exposures, geographical risk, asset concentration risk, liquidity risk, regulatory risk, manager risk and longevity risk.

43 Subordinated liabilities

	Notes	31 December 2015 €m	31 December 2014 €m
Undated loan capital			
Bank of Ireland			
Stg£75 million 13⅜% Perpetual Subordinated Bonds	a	103	97
Bristol & West plc			
Stg£32.6 million 8⅛% Non-Cumulative Preference Shares	b	44	42
Bank of Ireland UK Holdings plc			
€600 million 7.40% Guaranteed Step-up Callable Perpetual Preferred Securities	c	33	32
		180	**171**
Dated loan capital			
CAD$400 million Fixed / Floating Rate Subordinated Notes 2015		-	69
€1,000 million 10% Convertible Contingent Capital Note 2016	d	994	989
€600 million Subordinated Floating Rate Notes 2017		1	1
€1,002 million 10% Fixed Rate Subordinated Notes 2020	e	234	239
Stg£197 million 10% Fixed Rate Subordinated Notes 2020		2	2
€250 million 10% Fixed Rate Subordinated Notes 2022	f	266	269
€750 million 4.25% Fixed Rate Subordinated Notes 2024	g	763	760
		2,260	**2,329**
Total subordinated liabilities		**2,440**	**2,500**

Subordinated liabilities in issue at 31 December 2015

Undated loan capital

The principal terms and conditions of the subordinated liabilities which were in issue by the Group at 31 December 2015 are set out below.

(a) The 13³/₈% Perpetual Subordinated Bonds were revalued as part of the fair value adjustments on the acquisition by Bristol & West plc of the business of Bristol & West Building Society in July 1997. The Bank became the issuer of these bonds in 2007 in connection with the transfer of the business of Bristol & West plc to the Bank.

(b) These preference shares which are non-redeemable, non-equity shares rank equally amongst themselves as regards participation in profits and in priority to the ordinary shares of Bristol & West plc.

Holders of the Preference Shares are entitled to receive, in priority to the holders of any other class of shares in Bristol & West plc, a non-cumulative preference dividend at a fixed rate per annum payable in equal half yearly instalments in arrears on 15 May and 15 November each year. The preference dividend on the Preference Shares will only be payable to the extent that payment can be made out of profits available for distribution as at each dividend payment date in accordance with the provisions of the UK Companies Acts.

On 1 October 2007 in connection with the transfer of the business of Bristol & West plc to the Bank, the Bank entered into a Guarantee and Capital Maintenance Commitment (the Guarantee) with respect to the Preference Shares. Under the terms of the Guarantee, the liability of Bristol & West plc in relation to the ongoing payment of dividends and any repayment of capital in relation to the preference shares that remained following the transfer of business would be protected. Under the Guarantee, the Bank agreed, subject to certain conditions, to (i) contribute capital to Bristol & West plc to the extent required to ensure that Bristol & West plc has sufficient distributable reserves to pay the dividends on the preference shares and to the extent required, repay the preference share capital and (ii) guarantee Bristol & West plc's obligations to make repayment of the dividends and preference share capital.

In this connection the Guarantee contains provisions to the effect that the rights of the Bank's creditors under the Guarantee are subordinated to (i) unsubordinated creditors and debtors of the Bank and (ii) subordinated creditors of the Bank other than those whose claims rank, or are expressed to rank pari passu or junior to the payments under the Guarantee.

43 Subordinated liabilities (continued)

(c) The securities are redeemable in whole or in part at the option of the issuer subject to the prior consent of the relevant Competent Authority and of the Bank, at their principal amount together with any outstanding payments on any coupon payment date. They bear interest at a rate of three month Euribor plus 3.26% per annum and reset quarterly each year on 7 March, 7 June, 7 September and 7 December.

The rights and claims of the holder of the Preferred Securities are subordinated to the claims of the senior creditors of the issuer or of the Bank (as the case may be) in that no payment in respect of the Preferred Securities or the guarantee in respect of them shall be due and payable except to the extent that the issuer or the Bank (as applicable) is solvent and could make such payment and still be solvent immediately thereafter. Upon any winding up of the issuer or the Bank (in respect of claims under the guarantee), the holders of the Preferred Securities will rank pari passu with the holders of the most senior class or classes of preference shares or stock (if any) of the issuer or of the Bank then in issue and in priority to all other shareholders of the issuer and of the Bank.

Dated loan capital

Dated loan capital, which includes bonds and notes, constitute unsecured obligations of the Bank subordinated in right of payments to the claims of depositors and other unsubordinated creditors of the Bank and rank pari passu without any preference among themselves. Interest rates on the floating rate and fixed rate subordinated liabilities (accommodated through swaps) are determined by reference to the relevant currency reference rate.

The table on page 253 provides a description of the dated loan capital, including:

- the currency of the issue;
- if the issue is fixed, floating or a combination of both; and
- maturity.

All of the dated notes in issue at 31 December 2015 with the exception of the Convertible Contingent Capital Note 2016 were issued under the Bank's Euro Note Programme.

(d) Convertible Contingent Capital Note 2016

During the year ended 31 December 2011, the Group issued a Convertible Contingent Capital Note to the State to satisfy the requirements of the 2011 PCAR. The nominal value of this note is €1 billion and cash proceeds of €985 million were received (net of a fee paid to the State of €15 million). The note has a term of five years and an annual coupon of 10%, which could have been increased to a market rate subject to a maximum coupon of 18% if the State sold the note to a third party.

If the Core tier 1 capital ratio (or the transitional Common equity tier 1 ratio from the commencement of the Capital Requirement Regulations) of the Group (as calculated under the terms of the instrument) falls below 8.25%, the note automatically converts to units of ordinary stock. The conversion price at which the note would convert is the volume-weighted average price (VWAP) of the ordinary stock over the 30 days prior to conversion, subject to a current minimum conversion price of €0.05 per unit.

The Group measured the Convertible Contingent Capital Note at fair value at initial recognition. As the note did not initially trade in an active market, and was issued to a related party, the fair value was established using a valuation technique. The key inputs into the valuation technique were the expected interest payments over the life of the note, the estimated market yield for the instrument at the date of issuance and the estimated market yield for a subordinated liability without an equity conversion feature. The fair value of the note at initial recognition was €869 million.

The difference of €116 million between the fair value of the note on initial recognition and the net amount received from the State was treated as a capital contribution and credited directly to other reserves, as the State is a significant investor in the Group and was considered to be acting in that capacity.

The equity conversion feature of the note is considered to be an embedded derivative requiring separation, initially an asset with a fair value of €91 million. This derivative has been separated from the host instrument and is subsequently measured at fair value through profit or loss. The fair value of the derivative is established using a valuation technique. The host subordinated liability was measured on initial recognition as the residual after separation of the embedded derivative at an amount of €960 million, and is subsequently measured at amortised cost. At 31 December 2015, the fair value of the embedded derivative was €3 million (31 December 2014: €22 million) (note 20).

43 Subordinated liabilities (continued)

On 9 January 2013, the State sold its entire holding of the note to a diverse group of international institutional investors, thereby fixing all future cash coupon payments on the notes at 10% per annum. The option to increase the market rate noted above was not exercised and lapsed on the sale.

(e) €1,002 million 10% Fixed Rate Subordinated Notes 2020

On 11 February 2010, the Group issued 10 year fixed rate subordinated notes. These notes have a coupon rate of 10% and the maturity date for these notes is February 2020. The notes rank pari passu with all other dated subordinated debt.

(f) €250 million 10% Subordinated Debt 2022

On 18 December 2012, the Group issued 10 year fixed rate loan notes. These notes have a coupon rate of 10% and the maturity date for these notes is December 2022. The notes rank pari passu with all other dated subordinated debt.

(g) Fixed Rate Subordinated Notes 2024

On 4 June 2014, the Group issued a €750 million 10 year (callable at the end of year five) Tier 2 capital instrument. The bond carries a coupon of 4.25%. Following the implementation in Ireland of the European Union (Bank Recovery and Resolution) Regulations 2015, the instrument is loss absorbing at the point of non-viability. Redemption in whole but not in part is at the option of the Bank upon (i) Regulatory reasons (capital event), or (ii) Tax reasons (additional amounts payable on the Notes). Any redemption before the Maturity Date is subject to such approval by the Competent Authority as may be required by the Capital Requirements Regulation (CRR) and / or such other laws and regulations which are applicable to the Issuer.

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44 Contingent liabilities and commitments

The table below gives the contract amounts of contingent liabilities and commitments. The maximum exposure to credit loss under contingent liabilities and commitments is the contractual amount of the instrument in the event of non-performance by the other party where all counter claims, collateral or security prove worthless.

	31 December 2015 Contract amount €m	31 December 2014 Contract amount €m
Contingent liabilities		
Acceptances and endorsements	10	12
Guarantees and irrevocable letters of credit	620	698
Other contingent liabilities	401	199
	1,031	**909**
Commitments		
Documentary credits and short-term trade related transactions	77	113
Undrawn formal standby facilities, credit lines and other commitments to lend:		
- revocable or irrevocable with original maturity of 1 year or less	12,027	11,474[1]
- irrevocable with original maturity of over 1 year	3,102	2,885[1]
	15,206	**14,472**

[1] *The Group no longer considers certain payment facilities to represent contingent liabilities or commitments. Comparative amounts have been adjusted by €3.2 billion.*

In common with other banks, the Group conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

An **acceptance** is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Group expects most acceptances to be presented, but reimbursement by the customer is normally immediate. **Endorsements** are residual liabilities of the Group in respect of bills of exchange, which have been paid and subsequently rediscounted.

Guarantees and letters of credit are given as security to support the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Other contingent liabilities primarily include performance bonds and are generally short-term commitments to third parties which are not directly dependent on the customers' credit worthiness. The Group is also party to legal, regulatory and other actions arising out of its normal business operations.

At 31 December 2015, the Group continues to monitor an industry-wide issue with respect to technical compliance with the UK Consumer Credit Act and is assessing an emerging industry-wide mortgage review with respect to compliance with certain contractual and regulatory requirements in Ireland. In accordance with IAS 37.92, the Group has not provided further information on these issues.

Documentary credits commit the Group to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions. Included within total commitments above is an amount of €82 million of unrecognised loan commitments to the Group's joint ventures (31 December 2014: €108 million).

45 Capital stock

Authorised	31 December 2015	31 December 2014
Eur€	**€m**	€m
90 billion units of ordinary stock of €0.05 each	4,500	4,500
228 billion units of deferred stock of €0.01 each	2,280	2,280
100 million units of non-cumulative preference stock of €1.27 each	127	127
100 million units of undesignated preference stock of €0.25 each	25	25
3.5 billion units of non-cumulative 2009 Preference Stock of €0.01 each	35	35
Stg£	**£m**	£m
100 million units of non-cumulative preference stock of Stg£1 each	100	100
100 million units of undesignated preference stock of Stg£0.25 each	25	25
US$	**$m**	$m
8 million units of non-cumulative preference stock of US$25 each	200	200
100 million units of undesignated preference stock of US$0.25 each	25	25

Allotted and fully paid	31 December 2015 €m	31 December 2014 €m
32.346 billion units of ordinary stock of €0.05 each	1,616	1,616
91.981 billion units of deferred stock of €0.01 each	920	920
39.584 million units of treasury stock of €0.05 (31 December 2014: 39.291 million units)	2	2
1.9 million units of non-cumulative preference stock of Stg£1 each	3	3
3.0 million units of non-cumulative preference stock of €1.27 each	4	4
1.3 billion units of non-cumulative 2009 Preference Stock of €0.01 each	13	13
	2,558	**2,558**

Ordinary stock

All units of ordinary stock carry the same voting rights.

All of the capital stock is presented as equity however as set out in note 46, the Group has recognised a liability for the redemption of the 2009 Preference Stock at 31 December 2015 with a corresponding reduction in Other reserves ‘2009 Preference Stock to be redeemed’.

The weighted average number of units of ordinary stock in issue at 31 December 2015, used in the earnings per share calculation, excludes treasury stock which does not represent ordinary stock in issue. Treasury stock does not rank for dividend. While own stock held for the benefit of life assurance policyholders legally ranks for dividend, in line with accounting standards any dividend would not accrue in the Group financial statements.

	Ordinary Stock		Treasury Stock	
Movements in ordinary and treasury stock (units)	**31 December 2015**	31 December 2014	**31 December 2015**	31 December 2014
At beginning of year	32,345,992,667	32,343,587,302	39,291,096	41,696,461
Stock sold / (purchased) and held for the benefit of life assurance policyholders	(292,956)	2,405,365	292,956	(2,405,365)
At end of year	**32,345,699,711**	**32,345,992,667**	**39,584,052**	**39,291,096**

45 Capital stock (continued)

At 31 December 2015, New Ireland Assurance Company plc held 17,575,362 units of ordinary stock as 'own shares' (31 December 2014: 17,282,406 units). At 31 December 2015, the consideration paid for these shares amounted to €11.4 million (31 December 2014: €11.8 million).

Deferred stock

The total authorised deferred stock is 228 billion units at a par value of €0.01 per unit. The deferred stock has no voting or dividend rights and, on a winding up of, or other return of capital (other than on a redemption of stock of any class in the capital of the Bank) by the Bank, the deferred stockholders will be entitled to receive the amount paid up or credited as paid up on such unit of deferred stock only after ordinary stockholders have received, in aggregate, any amounts paid up or credited as paid up on those units of ordinary stock held by them at that time, plus €10 million in cash per unit of €0.05 ordinary stock, the purpose of which is to ensure that the units of deferred stock have no economic value.

The deferred stock is not transferable at any time, other than with the prior written consent of the Directors. At the appropriate time, the Bank may redeem or repurchase the deferred stock, make an application to the High Court of Ireland for the deferred stock to be cancelled, or acquire, cancel or seek the surrender of the deferred stock (in each case for no consideration) using such other lawful means as the Directors may determine.

2009 Preference Stock

At 31 December 2015 and 31 December 2014, Baggot Securities Limited (Baggot) held 1,300,000,000 units of 2009 Preference Stock. See below for terms and conditions on the 2009 Preference Stock.

On 20 February 2015, the Group paid a cash dividend of €133 million (20 February 2014: €133 million) which has been deducted from Retained earnings in the year ended 31 December 2015.

On 23 November 2015, the Group announced that it would exercise its discretion to redeem the remaining 2009 Preference Stock on 4 January 2016. See note 46 for details on redemption of 2009 Preference Stock.

The terms and conditions attaching to the 2009 Preference Stock are outlined below:

The 2009 Preference Stock entitled the holder to receive a non-cumulative cash dividend at a fixed rate of 10.25% per annum payable annually in arrears on 20 February at the discretion of the Bank. If a cash dividend was not paid by the Bank, the Bank was required to issue units of ordinary stock to the holder to be settled on a day determined by the Bank, in its sole discretion, provided that this was required to occur no later than the day on which the Bank subsequently redeemed or repurchased or paid a dividend on the 2009 Preference Stock or any class of capital stock. The number of units of ordinary stock that the Bank was required to issue in the event of non-payment of a cash dividend was required to be calculated by dividing the amount of the unpaid dividend by the thirty day average price.

If the dividend on the 2009 Preference Stock was not paid in any particular year, the Bank was precluded from paying any dividend on ordinary stock until the Bank resumed the payment of dividends on the 2009 Preference Stock in cash. The Bank would also have been precluded from paying any dividend on ordinary stock where the payment of such a dividend would reduce the distributable reserves of the Bank to such an extent that the Bank would be unable to pay the next dividend due for payment on the 2009 Preference Stock.

The repayment of the capital paid up (inclusive of premium) on the 2009 Preference Stock ranked pari passu with the repayment of the paid up nominal value (excluding premium) of the ordinary stock on a winding up or other return of capital of the Bank.

The 2009 Preference Stock ranked ahead of ordinary stock as regards dividends and the repayment of premium on the ordinary stock on a winding up or other return of capital of the Bank. It ranked pari passu as regards dividends with other stock or securities which constitute Core tier 1 capital of the Bank (other than ordinary stock and other than dividends to non-controlling interests).

The 2009 Preference Stock was transferable in minimum lots of 50,000 units.

45 Capital stock (continued)

The 2009 Preference Stock was capable of repurchase in whole or in part at the option of the Bank at a price per unit equal to €1.00 per unit before 31 March 2014 and thereafter, a price per unit of €1.25, representing a 25% step-up per unit, subject in either case to the consent of the relevant regulatory authority to the repurchase of the 2009 Preference Stock being obtained. Baggot Securities Limited ('Baggot'), the final holder of the 2009 Preference Stock, had waived its rights to receive redemption monies in excess of €1.00 per unit. The 2009 Preference Stock was not capable of being repurchased if it would breach or cause a breach of Irish banking capital adequacy requirements from time to time applicable to the Bank. The Bank was entitled only to redeem the 2009 Preference Stock in accordance with company law, and with the approval of the relevant regulatory authority, out of profits available for distribution or the proceeds of a fresh issue of stock or an issue of securities treated by the relevant regulatory authority as constituting Core tier 1 (now Common equity tier 1) capital.

If the ordinary stock issued in the event of non-payment of cash dividends on the 2009 Preference Stock did not settle on the dividend payment date to which it related, the holder would have been entitled to exercise the voting rights of that as yet unissued ordinary stock from the dividend payment date. Such voting rights would have had no effect on the Bank's unfettered discretion in respect of (i) the payment of dividends on the 2009 Preference Stock or any other securities of the Bank ranking pari passu with, or junior to, the 2009 Preference Stock or the issuance of ordinary stock in the event of non-payment of cash dividends on the 2009 Preference Stock; or (ii) the redemption or repurchase of the 2009 Preference Stock or any other securities of the Bank ranking pari passu with, or junior to, the 2009 Preference Stock.

Preference stock – Stg£1 each and €1.27 each

As at 31 December 2015 and 31 December 2014, 1,876,090 units of sterling preference stock and 3,026,598 units of euro preference stock were in issue.

The preference stock is non-redeemable. The holders of preference stock are entitled to receive at the discretion of the Bank a non-cumulative preferential dividend, which in the case of the sterling preference stock is payable in sterling, in a gross amount of Stg£1.2625 per unit per annum and in the case of euro preference stock is payable in euro in a gross amount of €1.523686 per unit per annum, in equal semi-annual instalments, in arrears, on 20 February and 20 August in each year.

On a winding up of, or other return of capital, by the Bank (other than on a redemption of stock of any class in the capital of the Bank) the holders of preference stock will be entitled to receive an amount equal to the amount paid up or credited as paid up on each unit of the preference stock held (including the premium) out of the surplus assets available for distribution to the Bank's members. Subject to the Bank's Bye-Laws, the preference stockholders may also be entitled to receive a sum in respect of dividends payable.

The preference stockholders are not entitled to vote at any General Court except in certain exceptional circumstances. Such circumstances did not arise during 2015 and consequently the preference stockholders were not entitled to vote at the Annual General Court (AGC) held on 29 April 2015.

Use of ordinary stock in employee schemes

(a) Employee Stock Issue Schemes

The Group operates two Employee Stock Issue Schemes; one in Ireland and one in the UK (the 'schemes').

Under the schemes, each year the Court may set aside an element of Group profit before taxation for allocation to the Trustees of the schemes to enable them to acquire units of ordinary stock on behalf of the schemes' participants.

In addition, if an employee elects for any such free stock award, they become eligible to purchase additional stock at market price from gross salary subject to Revenue Commissioners and HM Revenue & Customs rules respectively.

The maximum award permitted under the schemes is 6% of a participant's salary. There have been no awards to employees under the Employee Stock Issue Schemes since 2008.

(b) Limitations on Employee Stock Issue Schemes

The Employee Stock Issue Schemes are subject to a range of flow rate controls approved by the stockholders and which conform to current institutional investor guidelines.

45 Capital stock (continued)

(c) Executive Stock Option Scheme (ESOS)

The 2004 Executive Stock Option Scheme is now closed and no new grants may be made under this scheme. The following table summarises the movement in options between 2014 and 2015 and the price range at which they can be exercised.

	31 December 2015		31 December 2014	
	Number of options	**Weighted average exercise price (€)**	Number of options	Weighted average exercise price (€)
Outstanding at beginning of year	491,137	€12.87	1,230,014	€11.79
Expired during year	(482,000)	€12.85	(738,877)	€11.08
Outstanding at end of year	9,137	€13.68	491,137	€12.87
Exercisable at end of year	9,137	€13.68	491,137	€12.87

No options were either granted or exercised for the years ended 31 December 2015 and 31 December 2014.

	Number of options	**Exercise Price (€)**
	9,137	€13.68
Total	**9,137**	**€13.68**

The outstanding options under the ESOS as at 31 December 2015 were priced at €13.68 per unit. These outstanding options lapsed on 5 January 2016.

46 Redemption of 2009 Preference Stock

On 23 November 2015, the Group announced that it received ECB approval to exercise its discretion to redeem the remaining 2009 Preference Stock with a nominal value of €1.3 billion at par on 4 January 2016 and served notice of redemption to holders of the stock. As a result a financial liability was recognised to redeem the stock within the Group's Other liabilities at a fair value of €1,297 million with a corresponding reduction in Stockholders' equity through the creation of a reserve for 2009 Preference Stock to be redeemed within Other reserves. A liability was also recognised in respect of the obligation to make a final dividend payment of €116 million on the redemption date of 4 January 2016. This has been deducted from Retained earnings in the year ended 31 December 2015.

On 4 January 2016, the Group completed the redemption of the 2009 Preference Stock and the estimated pro-forma impact on Stockholders' equity is as set out below:

	As at 31 December 2015 €m	**Redemption on 4 January 2016 €m**	**Post-redemption €m**
Capital Stock	2,558	(13)	2,545
Stock premium account	1,135	(564)	571
Retained earnings	4,950	(727)	4,223
Other reserves	(260)	1,304	1,044
of which;			
- Capital redemption reserve	*-*	*7*	*7*
- Reserve for 2009 Preference Stock to be redeemed	*(1,297)*	*1,297*	*-*
Own stock held for the benefit of the life assurance policyholders	(11)	-	(11)
Stockholders' Equity	**8,372**	**-**	**8,372**

47 Other equity instruments - Additional tier 1

	31 December 2015 €m	31 December 2014 €m
Additional tier 1 securities issued	749	-
Transaction costs (net of tax)	(9)	-
Balance at the end of the year	**740**	**-**

In June 2015, the Bank issued Additional tier 1 (AT1) securities with a par value of €750 million at an issue price of 99.874%.

The principal terms of the AT1 securities are as follows:
- the securities constitute direct, unsecured and subordinated obligations of the Bank, rank behind Tier 2 instruments and in priority to ordinary and preference shareholders;
- the securities bear a fixed rate of interest of 7.375% until the first call date (on 18 June 2020). After the initial call date, in the event that they are not redeemed, the AT1 securities will bear interest at rates fixed periodically in advance for five-year periods based on market rates at that time;
- the Bank may elect at its sole and full discretion to cancel (in whole or in part) the interest otherwise scheduled to be paid on any interest payment date;
- the securities have no fixed redemption date, and the security holders will have no right to require the Bank to redeem or purchase the securities at any time;
- the Bank may, in its sole and full discretion but subject to the satisfaction of certain conditions elect to redeem all (but not some only) of the securities on the initial call date or semi-annually on any interest payment date thereafter. In addition, the AT1 securities are repayable, at the option of the Bank, due to certain regulatory or tax reasons. Any repayments require the prior consent of the regulatory authorities;
- the securities will be written down together with any accrued but unpaid interest if the Group's CET 1 ratio or the Bank's CET 1 ratio (calculated on an individual consolidated basis) falls below 5.125%; and
- subsequent to any write-down event the Bank may, at its sole discretion, write-up some or all of the written-down principal amount of the AT1 instrument provided regulatory capital requirements and certain conditions are met.

48 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances:

	31 December 2015 €m	31 December 2014 €m
Cash and balances at central banks	6,603	4,991
Loans and advances to banks (with an original maturity of less than 3 months)	4,372	4,466
Cash and cash equivalents	**10,975**	**9,457**

Cash and balances at central banks is made up as follows:

Cash and balances at central banks	**Year ended 31 December 2015 €m**	Year ended 31 December 2014 €m
United Kingdom (Bank of England)	4,744	3,746
Republic of Ireland (Central Bank of Ireland)	1,077	678
United States (Federal Reserve)	437	198
Other (cash holdings)	345	369
Total	**6,603**	**4,991**

49 Related party transactions

A number of banking transactions are entered into between the Bank and its subsidiaries in the normal course of business. These include extending secured and unsecured loans, investing in debt securities issued by subsidiaries, taking of deposits and undertaking foreign currency transactions.

(a) Associates, joint ventures and joint operations

The Group provides to and receives from its associates, joint ventures and joint operations certain banking and financial services, which are not material to the Group, on similar terms to third party transactions. These include loans, deposits and foreign currency transactions. The amounts outstanding at 31 December 2015 are set out in notes 26 and 36.

Where appropriate under tax rules, the Group claims from or surrenders tax losses to its associates and joint ventures. In these cases, payments, equal to the value of the losses claimed or surrendered, are made to or received from the associates or joint ventures concerned.

(b) Pension funds

The Group provides a range of normal banking and financial services, which are not material to the Group, to various pension funds operated by the Group for the benefit of its employees (principally to the Bank of Ireland Staff Pensions Fund (BSPF)), which are conducted on similar terms to third party transactions. Details on the Group's contributions to the pension funds are set out in note 42.

The Group occupies a number of premises owned by the Group's pension schemes. The total value of these properties at 31 December 2015 is €37 million (31 December 2014: €31 million). The total rental income paid to the Group's pension schemes during the year ended 31 December 2015 was €2 million (year ended 31 December 2014: €2 million).

As outlined in note 42, the Bank of Ireland Staff Pensions Fund (BSPF) has a charge over a portfolio of Group assets (a contingent asset) with a value of €nil at 31 December 2015 (31 December 2014: €164 million). The Group UK scheme has a charge over a portfolio of Group assets with a value of £25 million at 31 December 2015 (31 December 2014: £33 million).

The Group's pension schemes assets included Bank of Ireland stock amounting to €10 million at 31 December 2015 (31 December 2014: €9 million).

(c) Transactions with the State

The Group considers that the State is a related party under IAS 24 as it is in a position to exercise significant influence over the Group.

Details of individually or collectively significant transactions with the State and entities under its control or joint control are set out in note 50.

(d) Transactions with Directors and Key Management Personnel

(i) Loans to Directors

The following information is presented in accordance with the Companies Act 2014. For the purposes of the Companies Acts disclosures, Directors means the Court of Directors and any past Directors who were Directors during the relevant period.

Directors' emoluments are set out in the Remuneration Report on pages 151 to 154.

49 Related party transactions (continued)

Where no amount is shown in the tables below, this indicates either a credit balance, a balance of nil, or a balance of less than €500. The value of arrangements at the beginning and end of the financial year as stated below in accordance with Section 307 of the Companies Act 2014, expressed as a percentage of the net assets of the Group at the beginning and end of the financial year are less than 1%.

Companies Acts disclosure Loans	Balance as at 1 January 2015[1] €'000	Balance as at 31 December 2015[1] €'000	Aggregate maximum amount outstanding during the year ended 31 December 2015[2] €'000	Repayments during the year ended 31 December 2015[4] €'000
Directors at 31 December 2015				
R Boucher				
Mortgage total	81	49	81	33
Other loans total	229	181	229	48
Credit card total	-	9	10	-
Total	**310**	**239**	**320**	**81**
T Considine				
Credit card total	-	1	2	-
Total	**-**	**1**	**2**	**-**
A Keating				
Credit card total[3]	3	1	5	-
Total	**3**	**1**	**5**	**-**
P Kennedy				
Mortgages total	3,012	3,002	3,011	31
Credit card total	9	6	10	-
Current account total	-	-	-	-
Total	**3,021**	**3,008**	**3,021**	**31**
F Muldoon				
Mortgage total	195	188	195	15
Credit card total	4	5	10	-
Current account total	-	-	3	-
Total	**199**	**193**	**208**	**15**
P Mulvihill				
Credit card total	-	-	-	-
Current account total	-	-	-	-
Total	**-**	**-**	**-**	**-**

1 *Balances include principal and interest.*
2 *These figures include credit card exposures at the maximum statement balance. While the closing balance includes interest accrued and interest paid, the maximum balance includes interest paid.*
3 *On terms, including interest rates and collateral, similar to those available to staff generally.*
4 *Repayments include principal and interest; revolving credit facilities are not included.*

K Atkinson, P Butler, P Haren, A Kane, D Marston, B Martin, and P O'Sullivan (retired 29 April 2015) had no loans from the Group during the year ended 31 December 2015. No advances were made to any Director during the financial year.

There are no provisions or expenses in respect of any failure or anticipated failure to repay any of the above loans or interest thereon. There is no interest which having fallen due on the above loans has not been paid.

All Directors except T Considine have other transactions with the Bank. The nature of these transactions includes investments, pension funds, deposits, general insurance, life assurance and current accounts with credit balances. The relevant balances on these accounts are included in the aggregate figure for deposits on page 266.

49 Related party transactions (continued)

Other than as indicated, all loans to Directors are made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for similar transactions with other persons unconnected with the Group and of similar financial standing and do not involve more than normal risk of collectability.

Where no amount is shown in the tables below, this indicates either a credit balance, a balance of nil, or a balance of less than €500. The value of arrangements at the beginning and end of the financial year as stated below in accordance with Section 307 of the Companies Act 2014, expressed as a percentage of the net assets of the Group at the beginning and end of the financial year are less than 1%.

Companies Acts disclosure Loans	Balance as at 1 January 2014 [1] €'000	Balance as at 31 December 2014 [1] €'000	Aggregate maximum amount outstanding during the year ended 31 December 2014 [2] €'000	Repayments during the year ended 31 December 2014 [5] €'000
Directors at 31 December 2014				
R Boucher				
Mortgage total	113	81	113	33
Other loans total	276	229	276	46
Credit card total	-	-	4	-
Total	389	310	393	79
T Considine				
Credit card total	2	-	3	-
Total	2	-	3	-
A Keating				
Credit card total [3]	3	3	4	-
Total	3	3	4	-
P Kennedy				
Mortgages total	3,023	3,012	3,023	34
Credit card total	-	9	15	-
Total	3,023	3,021	3,038	34
F Muldoon				
Mortgage total	347	195	347	163
Credit card total [4]	2	4	8	-
Current account total	-	-	3	-
Total	349	199	358	163
P Mulvihill				
Credit card total [4]	-	-	-	-
Total	-	-	-	-
Directors no longer in office at 31 December 2014				
J Walsh (ceased to be a Director following his death on 9 November 2014)				
Credit card total	-	-	1	-
Total	-	-	1	-

1 Balances include principal and interest.
2 These figures include credit card exposures at the maximum statement balance. While the closing balance includes interest accrued and interest paid, the maximum balance includes interest paid.
3 On terms, including interest rates and collateral, similar to those available to staff generally.
4 Foreign currency amounts are converted into euro using exchange rates at 31 December 2014, 31 December 2013 and the average exchange rate for the year as appropriate.
5 Repayments include principal and interest; revolving credit facilities are not included.

49 Related party transactions (continued)

K Atkinson, P Butler, P Haren, A Kane, D Marston, B Martin, P O'Sullivan and W L Ross Jr (retired 1 June 2014) had no loans from the Group during the year ended 31 December 2014. No advances were made to any Director during 2014.

There were no provisions or expenses in respect of any failure or anticipated failure to repay any of the above loans or interest thereon. There was no interest which having fallen due on the above loans had not been paid.

(ii) Loans to connected persons on favourable terms

There were no loans to connected persons[1] on favourable terms as at 31 December 2015 or 31 December 2014.

[1] *Connected persons of Directors are defined by Section 220 of the Companies Act 2014.*

(iii) Loans to connected persons - Central Bank licence condition disclosures

Under its banking licence, the Bank is required to disclose in its annual audited financial statements details of:

- the aggregate amount of lending to all connected persons, as defined in Section 220 of the Companies Act 2014; and
- the aggregate maximum amount outstanding during the year for which those financial statements are being prepared.

Disclosure is subject to certain de minimis exemptions and to exemptions for loans relating to principal private residences where the total of such loans to an individual connected person does not exceed €1 million.

The following information is presented in accordance with this licence condition.

2015 **Connected persons[3] of the following Directors**	**Balance as at 31 December 2015[1] €'000**	**Maximum amounts outstanding during the year ended 31 December 2015[2] €'000**	**Number of persons as at 31 December 2015**	**Maximum number of persons during the year ended 31 December 2015**
Persons connected to P Butler	434	463	1	1
Persons connected to P Kennedy	1,806	1,879	1	1
Persons connected to F Muldoon	332	357	1	1

2014 Connected persons[3] of the following Directors	Balance as at 31 December 2014[1] €'000	Maximum amounts outstanding during the year ended 31 December 2014[2] €'000	Number of persons as at 31 December 2014	Maximum number of persons during the year ended 31 December 2014
Persons connected to P Butler	464	493	1	1
Persons connected to P Kennedy	1,874	1,949	1	1
Directors no longer in office 31 December 2014				
Persons connected to J Walsh (ceased to be a Director following his death on 9 November 2014)	205	216	1	1

[1] *Balance includes principal and interest.*
[2] *These figures include credit card exposures at the maximum statement balance. While the closing balance includes interest accrued and interest paid, the maximum balance includes interest paid.*
[3] *Connected persons of Directors are defined by Section 220 of the Companies Act 2014.*

49 Related party transactions (continued)

(iv) Key management personnel (KMP) - loans and deposits (IAS 24)

For the purposes of IAS 24: Related Party Disclosures, the Group has 23 KMPs (31 December 2014: 25) which comprise the Directors of the Court, the members of the Group Executive Committee (GEC), the Group Secretary and any past KMP who was a KMP during the relevant period. In addition to Executive Directors, the GEC comprises the Chief Executive Retail Ireland, Chief Executive Retail UK, Chief Executive Corporate and Treasury Division, Head of Group Manufacturing, Group Treasurer, Chief Credit & Market Risk Officer, Chief Governance Risk Officer, Head of Group Strategy and Development and the Head of Group HR. Key management personnel, including Directors, hold products with Group companies in the ordinary course of business.

Other than as indicated, all loans to Non-executive Directors are made in the ordinary course of business on substantially the same terms including interest rates and collateral, as those prevailing at the time for similar transactions with other persons, and do not involve more than the normal risk of collectability. Loans to key management personnel other than Non-executive Directors are made on terms similar to those available to staff generally and / or in the ordinary course of business on normal commercial terms.

The aggregate amounts outstanding, in respect of all loans, quasi-loans and credit transactions between the Bank and its KMP, as defined above, together with members of their close families and entities influenced by them are shown in the table below:

IAS 24 Disclosures

2015 Key management personnel	**Balance as at 1 January 2015[1,3] €'000**	**Balance as at 31 December 2015[1] €'000**	**Maximum amounts outstanding during the year ended 31 December 2015[2] €'000**	**Total number of relevant KMP as at 1 January 2015**	**Total number of relevant KMP as at 31 December 2015**
Loans	5,286	5,907	6,469	16	16
Deposits	6,374	5,829	28,561	22	21

2014 Key management personnel	Balance as at 1 January 2014[1] €'000	Balance as at 31 December 2014[1] €'000	Maximum amounts outstanding during the year ended 31 December 2014[2] €'000	Total number of relevant KMP as at 1 January 2014	Total number of relevant KMP as at 31 December 2014
Loans	27,009	5,286	5,994	15	16
Deposits	9,700	6,374	12,316	21	22

1 *Balance includes principal and interest.*

2 *These figures include credit card exposures at the maximum statement balance. In all cases key management personnel have not exceeded their approved limits. The maximum approved credit limit on any credit card held by key management personnel is €25,400. The maximum amount outstanding was calculated using the maximum balance on each account. The highest maximum outstanding liability for any member of key management personnel, close family and entities influenced by them did not exceed €3 million during the year ended 31 December 2015 (year ended 31 December 2014: €3 million). In some cases with investment type products (i.e. funds based products, life assurance and other policies) the maximum balance amounts were not available, in which case the greater of the balance at the start of the year and the balance at the end of the year has been included as the maximum balance amount. While the closing balance includes interest accrued and interest paid, the maximum balance includes interest paid.*

3 *The opening balance includes balances and transactions with KMP who have retired during 2014 and are not related parties during the current year. Therefore these KMPs are not included in the maximum amounts outstanding.*

KMP have other protection products with the Bank. The nature of these products includes mortgage protection, life assurance and critical illness cover. It also includes general insurance products which are underwritten by a number of external insurance companies and for which the Bank acts as an intermediary only. None of these products has any encashment value at 31 December 2015 or 31 December 2014.

Included in the above IAS 24 loan disclosure figures are loans to key management personnel and close family members of KMP on preferential staff rates, amounting to €41,314 (31 December 2014: €36,234).

49 Related party transactions (continued)

There are no provisions or expenses in respect of any failure or anticipated failure to repay any of the above loans or interest thereon.

There are no guarantees entered into by the Bank in favour of KMP of the Bank and no guarantees in favour of the Bank have been entered into by the KMP of the Bank.

(v) Compensation of KMP
Details of compensation paid to KMP are provided below:

Remuneration	**Year ended 31 December 2015 €'000**	Year ended 31 December 2014 €'000
Salaries and other short-term benefits[1]	7,231	7,388
Post employment benefits[2]	705	622
Total remuneration before amounts waived	7,936	8,010
Amounts waived[3]	(41)	(201)
	7,895	**7,809**

[1] Comprises gross salary, Employer Pay Related Social Insurance contributions, fees, cash in lieu of pension, car allowance and other short-term benefits paid in the year.
[2] This comprises Employer contributions paid to pension funds.
[3] During 2009, the Executive Directors and members of the GEC who were in office on 1 May 2009 agreed to waive an amount equal to at least 10% of their salary. These waivers had ceased by 30 April 2015.

50 Summary of relations with the State

The Group considers that the State is a related party under IAS 24 as it is in a position to exercise significant influence over the Group.

A relationship framework between the Minister for Finance and the Bank has been in place since 30 March 2012. The purpose of this framework is to provide the basis on which the relationship shall be governed. This framework is available on the Department of Finance website.

(a) Ordinary stock

At 31 December 2015, the State held through the Ireland Strategic Investment Fund (ISIF) 13.95% (31 December 2014: 13.95%) of the ordinary stock of the Bank.

(b) Guarantee schemes

Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (ELG Scheme)
The ELG Scheme ended for all new liabilities on 28 March 2013. After this date no new liabilities were guaranteed under the scheme. All qualifying deposits and other liabilities made up to the date of expiry from the ELG Scheme continued to be covered until the date of maturity of the deposit or liability.

A fee is payable in respect of each liability guaranteed under the ELG Scheme. This fee amounted to €10 million for the year ended 31 December 2015 (year ended 31 December 2014: €37 million) (note 5).

At 31 December 2015, €0.7 billion of eligible liabilities continue to be covered under the ELG Scheme all of which relate to customer deposits (31 December 2014: €2.8 billion of which €1.9 billion related to senior debt and €0.9 billion related to customer deposits).

European Communities (Deposit Guarantee Schemes) Regulations, 1995
Details of the deposits protected by these schemes are set out in note 36.

50 Summary of relations with the State (continued)

(c) Bonds issued by the State

At 31 December 2015, the Group held sovereign bonds issued by the State with a carrying value of €5,152 million (31 December 2014: €6,918 million).

	31 December 2015 €m	31 December 2014 €m
Available for sale financial assets	2,750	6,409
Held to maturity financial assets	1,922	-
Other financial assets at fair value through the profit and loss	480	509
Total	**5,152**	**6,918**

(d) National Asset Management Agency (NAMA)

At 31 December 2015, the Group held bonds issued by NAMA with a carrying value of €1,683 million (31 December 2014: €2,606 million).

	31 December 2015 €m	31 December 2014 €m
NAMA senior bonds (guaranteed by the State) (note 25)	1,414	2,374
NAMA subordinated bonds (note 23)	269	232
Total	**1,683**	**2,606**

(e) National Asset Management Agency Investment Limited (NAMAIL)

On 30 March 2010, the Group, through its wholly-owned subsidiary New Ireland Assurance Company plc, acquired 17 million B shares in NAMAIL, corresponding to one-third of the 51 million B shares issued by NAMAIL. The balance of the B shares were acquired at that time in equal proportion by Irish Life Assurance and major pension and institutional clients of AIB Investment Managers. The cost to the Group of acquiring these B shares was €17 million. NAMAIL has also issued 49 million A shares to NAMA. As a result the Group holds 17% of the total ordinary share capital of NAMAIL. NAMAIL is a holding company and its subsidiaries include the entities to which NAMA Participating Institutions transfer Eligible Bank Assets and which issue the NAMA senior bonds and NAMA subordinated debt as consideration for those assets.

The A shares and B shares generally rank equally, except as otherwise provided in the Articles of Association of NAMAIL. NAMA may appoint up to six Directors to the board of NAMAIL. In total, the B shareholders may also jointly appoint up to six Directors and have collectively appointed one Director. As holder of the A shares, NAMA has veto rights in relation to: the declaration of dividends; the appointment or removal of Directors; the exercise of voting rights in respect of any subsidiary of NAMAIL and the appointment of a Chairman. In addition NAMA can veto any actions by NAMAIL, which NAMA considers in any manner to be inconsistent with its objectives. A holder of the B shares may not sell the shares without the consent of NAMA.

On a winding-up, the return on B shares is capped at 110% of the capital invested, (€18.7 million in the case of the Group), and the maximum loss that may be suffered is limited to the original amount invested (€17 million in the case of the Group).

A discretionary non-cumulative dividend on the capital invested may be paid on an annual basis and this is limited to the yield on ten year State bonds. A dividend of €0.1 million was received by the Group on 31 March 2015 (31 March 2014: €0.5 million).

(f) Other transactions with the State and entities under its control or joint control

In addition to the matters set out above, the Group enters into other transactions in the normal course of business with the State, its agencies and entities under its control or joint control. These transactions include the provision of banking services, including money market transactions, dealing in government securities and trading in financial instruments issued by certain banks.

50 Summary of relations with the State (continued)

At 31 December 2015, the Group held senior bonds with a carrying value of €328 million issued by the following entities which are related parties of the Group, as follows:

	31 December 2015 €m	31 December 2014 €m
Allied Irish Banks plc (AIB)	328	753
Permanent TSB Group Holdings plc	-	201
Total	**328**	**954**

At 31 December 2015, none of the AIB or Permanent TSB Group Holdings plc senior bonds held (31 December 2014: €468 million; €201 million respectively) were guaranteed under the ELG Scheme.

At 31 December 2015, the Group also had loans of €33 million to AIB (31 December 2014: €14 million) and €150 million to Permanent TSB Group Holdings plc (31 December 2014: €6 million) which were included within loans and advances to banks.

At 31 December 2015, the Group held deposits from the National Treasury Management Agency (NTMA) of €0.4 billion (31 December 2014: €1.0 billion). The maximum amount of these deposits during the year was €1.0 billion (31 December 2014: €1.9 billion).

At 31 December 2015, the Group also held a number of deposits from the State, its agencies and entities under its control or joint control, which are considered to be collectively significant, totalling c.€1.2 billion (31 December 2014: c.€1.2 billion).

In addition, at 31 December 2015, the Group held accounts from IBRC (in Special Liquidation) and its associates of €434 million (31 December 2014: €158 million) which were included in the Customer accounts at 31 December 2015.

(g) Irish bank levy

The Finance Bill (No. 2) 2013 which was enacted on 18 December 2013, introduced a bank levy on certain financial institutions, including the Group. An income statement charge is recognised annually on the date on which all of the criteria set out in the legislation are met. The levy will equal 35% of each financial institution's Deposit Interest Retention Tax (DIRT) payment for 2011 and will be charged for three-years, from 2014 to 2016 inclusive. The annual levy paid by the Group on 20 October 2015 was €38 million (20 October 2014: €38 million). The budget announcement in October 2015 indicated that the bank levy, which was due to expire in 2016, will be now extended to 2021. The method used to calculate the levy will be subject to review but there is currently no detail on how this method may change.

51 Principal undertakings

The Parent company of the Group is the Governor and Company of the Bank of Ireland (the 'Bank').

The principal Group undertakings at 31 December 2015 were:

Name	Principal activity	Country of incorporation	Statutory year end
Bank of Ireland (UK) plc[1]	Retail financial services	England and Wales	31 December
New Ireland Assurance Company plc	Life assurance business	Ireland	31 December
Bank of Ireland Mortgage Bank[1]	Mortgage lending and mortgage covered securities	Ireland	31 December
Bank of Ireland International Finance Limited[1]	International asset financing	Ireland	31 December
First Rate Exchange Services Holdings Limited[2]	Foreign exchange	England and Wales	31 March

[1] *Direct subsidiary of The Governor and Company of the Bank of Ireland*
[2] *This entity is a joint venture with the UK Post Office, in which the Group holds 50% of the equity of the business.*

All the Group undertakings are included in the consolidated financial statements. Unless stated otherwise, the Group owns 100% of the equity of the principal Group undertakings and 100% of the voting shares of all these undertakings.

In presenting details of the principal subsidiary undertakings, the exemption permitted by Section 316 of the Companies Act 2014 has been availed of and the Bank will annex a full listing of Group undertakings to its annual return to the Companies Registration Office.

Bank of Ireland Mortgage Bank (BoIMB)
BoIMB's principal activities are the issuance of Irish Residential mortgages and mortgage covered securities in accordance with the Asset Covered Securities Act 2001 and the Asset Covered Securities (Amendment) Act 2007. BoIMB asset covered securities may be purchased by Bank of Ireland and other members of the Group or third parties.

At 31 December 2015, the total amount outstanding in respect of mortgage covered securities issued was €7.3 billion (31 December 2014: €9 billion). At 31 December 2015, the total amount of principal outstanding in the mortgage covered pool including mortgage assets and cash was €12.4 billion (31 December 2014: €13.8 billion).

BoIMB issues other debt securities under BoIMB's obligation to the Central Bank of Ireland within the terms of the Special Mortgage Backed Promissory Note (SMBPN) programme. At 31 December 2015, BoIMB had no debt securities in issue (31 December 2014: €0.8 billion).

52 Interests in other entities

(a) General

The Group holds ordinary shares and voting rights in a significant number of entities. Management has assessed its involvement in all such entities in accordance with the definitions and guidance in:

- IFRS 10: Consolidated Financial Statements;
- IFRS 11: Joint Arrangements;
- IAS 28: Investments in Associates and Joint Ventures; and
- IFRS 12: Disclosure of interests in other entities.

The Group controls an entity when it has power over the entity, is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

52 Interests in other entities (continued)

Generally, control or significant influence is identified by the level of ownership of ordinary shares and the level of management involvement in the relevant activities of the entity. However, in the case of 'structured entities', management's judgement is required in determining how the investee should be accounted for.

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

In the case of structured entities, the Group considers it has control over the investee in the following situations:
- securitisation vehicles whose purpose is to finance specific loans and advances to customers; or
- defeasance companies set up to facilitate big-ticket leasing transactions.

In each case the Group considers that it has power over the entity, is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity, even though the Group normally owns less than half of the voting rights of those entities.

The Group does not consider it controls an investee when:
- the Group's only involvement in the arrangement is to administer transactions, for which the Group receives a fixed fee, on the basis that the Group is acting as an agent for the investors; or
- an entity is in the process of being liquidated, on the basis that the entity is controlled by the liquidator.

In the case of some venture capital investments, the Group may hold 50% or more of the voting power of an entity, but has been considered to have significant influence, rather than control of the entity because the Group is not involved in directing the relevant activities of the entity and does not have the right to remove the manager of the entity.

An associated undertaking is an entity over which the Group has significant influence, but not control, over the entity's operating and financial policy decisions. If the Group holds 20% or more of the voting power of an entity, it has presumed that the Group has significant influence, unless it could be clearly demonstrated that this was not the case. There are no such cases where the Group holds 20% or more of the voting power of an entity, and is not considered to have significant influence over that entity.

A joint arrangement is an arrangement of which two or more parties have joint control i.e. contractually agreed sharing of control of an arrangement where decisions about the relevant activities require the unanimous consent of the parties sharing control. These arrangements are identified by reference to the power sharing agreements, ensuring that unanimous consent of all parties is a requirement. Where the arrangement has been structured through a separate vehicle, the Group has accounted for it as a joint venture.

(b) Significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group

Regulated banking and insurance subsidiaries are required to maintain minimum regulatory liquidity and solvency ratios and are subject to other regulatory restrictions that may impact on transactions between these subsidiaries and the Bank, including on the subsidiaries ability to make distributions.

Certain transactions between Bank of Ireland (UK) plc and the Bank are subject to regulatory limits and approvals agreed with the Prudential Regulatory Authority. Total assets of Bank of Ireland (UK) plc amounted to €38.1 billion (31 December 2014: €37.5 billion) and liabilities amounted to €35.2 billion (31 December 2014: €35.2 billion).

52 Interests in other entities (continued)

The activities of Bank of Ireland Mortgage Bank (BoIMB) are subject to the Asset Covered Securities Act 2001 to 2007 which imposes certain restrictions over the assets of BoIMB. Total assets of BoIMB amounted to €21.0 billion (31 December 2014: €21.6 billion) and liabilities amounted to €20.0 billion (31 December 2014: €20.7 billion).

The Group's Life Assurance Business is required to hold shareholder equity that exceeds a certain margin, see note 38 for details. In addition, the Isle of Man Insurance and Pension authority requires the Group's IOM insurance business to hold shareholder equity that exceeds a statutory margin.

Under Section 357 (1)(b) of the Companies Act 2014, the Bank has given an irrevocable guarantee to meet the liabilities of certain Group undertakings. For further details on the Group's undertakings please see note 51. The liabilities of these undertakings amounted to €38 million as at 31 December 2015 (31 December 2014: €79 million).

(c) Structured entities

The Group holds a number of structured entities (Brunel, Bowbell plc, Kildare and Partholon), whose purpose is to acquire mortgage loans and other financial assets and issue mortgage backed securities. All of the assets and liabilities are restricted. Total assets amounted to €9.1 billion (31 December 2014: €9.7 billion) and liabilities amounted to €6.1 billion (31 December 2014: €6.5 billion). The Group also holds a structured entity (Avondale Securities S.A.) whose purpose is to acquire other financial assets and issue debt securities. All of the assets and liabilities of this entity are restricted. Total assets amounted to €393 million (31 December 2014: €473 million) and liabilities amounted to €92 million (31 December 2014: €124 million).

In relation to these entities, there are no contractual arrangements that require the Group to provide financial support. In the years ended 31 December 2015 and 31 December 2014 the Group did not provide financial or other support, nor does it expect or intend to do so. All of these entities were consolidated in the Group's financial statements for the years ended 31 December 2015 and 31 December 2014.

(d) Treatment of changes in control of a subsidiary during the reporting period

From time to time, the Group may wind up a wholly owned company. During this process, the Group voluntarily appoints a liquidator to manage the winding up of relevant entities. Upon appointment of the liquidator, the Group is considered to have lost control of the companies and accounts for this loss of control as a disposal. In accordance with IAS 21, the Group must reclassify net cumulative foreign exchange losses relating to these companies from the foreign exchange reserve to the income statement. During the year ended 31 December 2015, €6 million was transferred (year ended 31 December 2014: €nil) (page 171).

(e) Joint arrangements

The following table shows the Group's principal joint arrangements for the years ended 31 December 2015.

Joint arrangement	Holding	Classification	Country of operation	Nature of activities
First Rate Exchange Services Holdings Limited	50%	Joint venture	UK	Sale of financial products through the UK Post Office relationship
Enterprise 2000 Fund	50%	Joint venture	Ireland	Investment in venture capital companies

All joint ventures investments are unquoted and are measured using the equity method of accounting. All income from these investments has been included in profit or loss from continuing operations. There are no significant restrictions on the ability of these entities to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the Group. Nor is there any unrecognised share of losses either for the year ended 31 December 2015 or cumulatively in respect of these entities. Other than disclosed in note 44, the Group does not have any further commitments or contingent liabilities in respect of these entities other than its investment to date.

52 Interests in other entities (continued)

(f) Associates

The Group holds a number of investments in associates, none of which is individually material. All income from these investments has been included in profit or loss from continuing operations. There are no significant restrictions on the ability of these entities to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the Group. Nor is there any unrecognised share of losses either for the year ended 31 December 2015 or cumulatively in respect of these entities. The Group does not have any contingent liabilities in respect of these entities other than its investment to date.

(g) Unconsolidated structured entities

The Group has incorporated certain entities to provide investment opportunities to clients in international commercial properties. The Group considers that it sponsors these entities where it continues to be involved in the entity or if it is in receipt of income from the entity during the year. At 31 December 2015, there were 3 of these entities (31 December 2014: 4).

With regard to the remaining unconsolidated structured entities, they are all property holding companies whose principal activity is managing property investments. In the year ended 31 December 2015, the Group earned asset management fees from these entities. The total gross asset value of these entities at 31 December 2015 was €456 million (31 December 2014: €429 million).

These structured entities are not consolidated, but the associated income and the carrying amounts of assets and liabilities in relation to these entities, are included in the Group's financial statements as follows:

Unconsolidated structured entities	**31 December 2015 €m**	31 December 2014 €m
Income		
Share of results of associates and joint ventures (after tax)	-	30
Fee and commission income	1	-
Interest income	-	1
Total income	**1**	**31**
Carrying amounts of assets and liabilities		
Available for sale financial assets	-	2
Maximum exposure to loss	**-**	**2**

In relation to these entities, there are no contractual arrangements that require the Group to provide financial support.

Baggot Securities Limited (Baggot) is a structured entity set up by the Group to fund the purchase of 1,300,000,000 units of the 2009 Preference Stock using the proceeds of the issuance of €1,300,000,000 of 10.24% perpetual non-cumulative notes to private investors. Baggot has irrevocably waived its right to receive any redemption monies in respect of the 2009 Preference Stock in excess of €1.00 per unit. On the basis that the Group does not absorb any risks of Baggot and has no exposure or rights to the variable returns of Baggot, the Group considers it does not control Baggot. Therefore, Baggot is not consolidated. On 23 November 2015, the Group announced that it would exercise its discretion to redeem the remaining 2009 Preference Stock on 4 January 2016. See note 46 for details on redemption of 2009 Preference Stock.

(h) Coterminous year end dates

The Group consolidates certain entities where the entity does not have the same year end reporting date as the Group. This is to ensure the reporting dates of these Group entities are kept consistent with the principle legal agreements used to engage in its core business.

Assets, liabilities and results of all Group undertakings have been included in the Group financial statements on the basis of financial statements made up to the end of the financial period.

53 Liquidity risk and profile

The tables below summarise the maturity profile of the Group's financial liabilities (excluding those arising from insurance and investment contracts in Bank of Ireland Life) at 31 December 2015 and 31 December 2014 based on contractual undiscounted repayment obligations. The Group does not manage liquidity risk on the basis of contractual maturity. Instead the Group manages liquidity risk based on expected cash flows.

Unit linked investment liabilities and unit linked insurance liabilities with a carrying value of €5,729 million and €10,403 million respectively (31 December 2014: €5,680 million and €9,918 million respectively) are excluded from this analysis as their repayment is linked directly to the financial assets backing these contracts.

Customer accounts include a number of term accounts that contain easy access features. These allow the customer to access a portion or all of their deposit notwithstanding that this repayment could result in financial penalty being paid by the customer. For such accounts, the portion subject to the potential early access has been classified in the 'demand' category in the table below.

The balances will not agree directly to the consolidated balance sheet as the table incorporates all cash flows, on an undiscounted basis, related to both principal and interest payments.

As at 31 December 2015 **Contractual maturity**	**Demand €m**	**Up to 3 months €m**	**3-12 months €m**	**1-5 years €m**	**Over 5 years €m**	**Total €m**
Deposits from banks	76	856	-	-	-	932
Drawings from Monetary Authorities (gross)	-	7	1,513	-	-	1,520
Customer accounts	51,337	15,343	9,446	4,178	388	80,692
Debt securities in issue	-	250	698	6,575	5,294	12,817
Subordinated liabilities	-	18	1,171	1,470	943	3,602
Contingent liabilities	604	-	-	-	427	1,031
Commitments	11,513	103	883	2,707	-	15,206
Total	**63,530**	**16,577**	**13,711**	**14,930**	**7,052**	**115,800**

As at 31 December 2014 Contractual maturity	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Deposits from banks	153	1,486	412	95	-	2,146
Drawings from Monetary Authorities (gross)	-	2,948	20	1,499	-	4,467
Customer accounts	45,290	15,449	8,849	5,283	248	75,119
Debt securities in issue	-	2,149	3,233	4,961	4,154	14,497
Subordinated liabilities	-	21	240	1,537	1,637	3,435
Contingent liabilities	909	-	-	-	-	909
Commitments	11,479	108	-	2,885	-	14,472
Total	57,831	22,161	12,754	16,260	6,039	115,045

53 Liquidity risk and profile (continued)

As set out in note 20, derivatives held for trading comprise derivatives entered into with trading intent as well as derivatives entered with economic hedging intent to which the Group does not apply hedge accounting. Derivatives held with hedging intent also include all derivatives to which the Group applies hedge accounting.

The tables below summarise the maturity profile of the Group's derivative liabilities. The Group manages liquidity risk based on expected cash flows, therefore the undiscounted cash flows payable on derivatives liabilities held with hedging intent are classified according to their contractual maturity, while derivatives held with trading intent have been included at fair value in the 'demand' time bucket.

As at 31 December 2015

Derivative financial instruments	**Demand €m**	**Up to 3 months €m**	**3-12 months €m**	**1-5 years €m**	**Over 5 years €m**	**Total €m**
Derivatives held with hedging intent						
Gross settled derivative liabilities - outflows	-	3,163	4,053	1,952	11	9,179
Gross settled derivative liabilities - inflows	-	(2,829)	(3,681)	(1,843)	(5)	(8,358)
Gross settled derivative liabilities - net flows	-	334	372	109	6	821
Net settled derivative liabilities	-	157	394	966	441	1,958
Total derivatives held with hedging intent	**-**	**491**	**766**	**1,075**	**447**	**2,779**
Derivative liabilities held with trading intent	899	-	-	-	-	899
Total derivative cash flows	**899**	**491**	**766**	**1,075**	**447**	**3,678**

As at 31 December 2014

Derivative financial instruments	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Derivatives held with hedging intent						
Gross settled derivative liabilities - outflows	-	4,516	1,649	6,280	102	12,547
Gross settled derivative liabilities - inflows	-	(4,223)	(1,548)	(5,924)	(89)	(11,784)
Gross settled derivative liabilities - net flows	-	293	101	356	13	763
Net settled derivative liabilities	-	182	432	1,217	552	2,383
Total derivatives held with hedging intent	-	475	533	1,573	565	3,146
Derivative liabilities held with trading intent	953	-	-	-	-	953
Total derivative cash flows	953	475	533	1,573	565	4,099

54 Measurement basis of financial assets and financial liabilities

The table below analyses the carrying amounts of the financial assets and financial liabilities by accounting treatment and by balance sheet heading.

	At fair value through profit or loss			At fair value through Other Comprehensive income (OCI)				
31 December 2015	Derivatives designated as fair value hedging instruments €m	Held for trading €m	Designated upon initial recognition €m	Available for sale €m	Cash flow hedge derivatives €m	Held at amortised cost €m	Insurance contracts €m	Total €m
Financial assets								
Cash and balances at central banks	-	-	-	-	-	6,603	-	6,603
Items in the course of collection from other banks	-	-	-	-	-	294	-	294
Trading securities	-	3	-	-	-	-	-	3
Derivative financial instruments	280	2,390	-	-	394	-	-	3,064
Other financial assets at fair value through profit or loss	-	-	12,280	-	-	-	-	12,280
Loans and advances to banks	-	-	-	-	-	4,578	-	4,578
Available for sale financial assets	-	-	-	10,128	-	-	-	10,128
Held to maturity financial assets	-	-	-	-	-	1,922	-	1,922
NAMA senior bonds	-	-	-	-	-	1,414	-	1,414
Loans and advances to customers	-	-	-	-	-	84,689	-	84,689
Assets classified as held for sale	-	-	-	-	-	20	-	20
Interest in associates	-	-	56	-	-	-	-	56
Total financial assets	**280**	**2,393**	**12,336**	**10,128**	**394**	**99,520**	**-**	**125,051**
Financial liabilities								
Deposits from banks	-	-	-	-	-	952	-	952
Customer accounts	-	-	1,903	-	-	78,261	-	80,164
Items in the course of transmission to other banks	-	-	-	-	-	239	-	239
Derivative financial instruments	431	2,527	-	-	661	-	-	3,619
Debt securities in issue	-	-	685	-	-	12,558	-	13,243
Liabilities to customers under investment contracts	-	-	5,729	-	-	-	-	5,729
Insurance contract liabilities	-	-	-	-	-	-	10,403	10,403
Subordinated liabilities	-	-	-	-	-	2,440	-	2,440
Total financial liabilities	**431**	**2,527**	**8,317**	**-**	**661**	**94,450**	**10,403**	**116,789**

54 Measurement basis of financial assets and financial liabilities (continued)

31 December 2014	At fair value through profit or loss			At fair value through Other Comprehensive income (OCI)				
	Derivatives designated as fair value hedging instruments €m	Held for trading €m	Designated upon initial recognition €m	Available for sale €m	Cash flow hedge derivatives €m	Held at amortised cost €m	Insurance contracts €m	Total €m
Financial assets								
Cash and balances at central banks	-	-	-	-	-	4,991	-	4,991
Items in the course of collection from other banks	-	-	-	-	-	435	-	435
Trading securities	-	12	-	-	-	-	-	12
Derivative financial instruments	367	2,865	-	-	460	-	-	3,692
Other financial assets at fair value through profit or loss	-	-	11,528	-	-	-	-	11,528
Loans and advances to banks	-	-	-	-	-	4,851	-	4,851
Available for sale financial assets	-	-	-	13,580	-	-	-	13,580
NAMA senior bonds	-	-	-	-	-	2,374	-	2,374
Loans and advances to customers	-	-	-	-	-	82,118	-	82,118
Interest in associates	-	-	56	-	-	-	-	56
Total financial assets	367	2,877	11,584	13,580	460	94,769	-	123,637
Financial liabilities								
Deposits from banks	-	-	-	-	-	3,855	-	3,855
Customer accounts	-	-	1,869	-	-	72,968	-	74,837
Items in the course of transmission to other banks	-	-	-	-	-	379	-	379
Derivative financial instruments	672	2,867	-	-	499	-	-	4,038
Debt securities in issue	-	-	631	-	-	15,409	-	16,040
Liabilities to customers under investment contracts	-	-	5,680	-	-	-	-	5,680
Insurance contract liabilities	-	-	-	-	-	-	9,918	9,918
Subordinated liabilities	-	-	69	-	-	2,431	-	2,500
Total financial liabilities	672	2,867	8,249	-	499	95,042	9,918	117,247

54 Measurement basis of financial assets and financial liabilities (continued)

The fair value and contractual amount due on maturity of financial liabilities designated at fair value upon initial recognition are shown in the table below.

	31 December 2015		31 December 2014	
	Fair values €m	**Contractual amount due on maturity €m**	Fair values €m	Contractual amount due on maturity €m
Customer accounts	1,903	1,911	1,869	1,872
Liabilities to customers under investment contracts	5,729	5,729	5,680	5,680
Debt securities in issue	685	671	631	580
Subordinated liabilities	-	-	69	70
Financial liabilities designated at fair value through profit or loss	**8,317**	**8,311**	**8,249**	**8,202**

For financial assets and financial liabilities which are recognised and subsequently measured at fair value through profit or loss or through other comprehensive income, a description of the methods and assumptions used to calculate those fair values is set out in note 55.

55 Fair values of assets and liabilities

Fair value of assets and liabilities
Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where possible, the Group calculates fair value using observable market prices. Where market prices are not available, fair values are determined using valuation techniques which may include discounted cash flow models or comparisons to instruments with characteristics either identical or similar to those of the instruments held by the Group or of recent arm's length market transactions. These fair values are classified within a three-level fair value hierarchy, based on the inputs used to value the instrument. Where the inputs might be categorised within different levels of the fair value hierarchy, the fair value measurement in its entirety is categorised in the same level of the hierarchy as the lowest level input that is significant to the entire measurement. The levels are defined as:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

Transfers between different levels are assessed at the end of all reporting periods.

(a) Financial assets and financial liabilities recognised and subsequently measured at fair value
All financial instruments are initially recognised at fair value. The Group subsequently measures trading securities, other financial assets and financial liabilities designated at fair value through profit or loss, derivatives and available for sale financial assets at fair value in the balance sheet. These instruments are shown as either at fair value through profit or loss (FVTPL) or at fair value through other comprehensive income.

55 Fair values of assets and liabilities (continued)

A description of the methods and assumptions used to calculate fair values of these assets and liabilities is set out below. For fair value measurements categorised within level 3 of the fair value hierarchy, the valuation policies and procedures are developed by the management of the relevant business unit. The valuation process is documented before being reviewed and approved by senior management to ensure that the valuation method is consistent with market practice, that the output is reasonable and that the methodology is consistent both across the Group and compared to prior reporting periods.

Financial assets held for trading

These instruments are valued using observable market prices (level 1 inputs), directly from a recognised pricing source or an independent broker or investment bank.

Derivative financial instruments

The Group's derivative financial instruments are valued using valuation techniques commonly used by market participants. These consist of discounted cash flow and options pricing models, which typically incorporate observable market data, principally interest rates, basis spreads, foreign exchange rates, equity prices and counterparty credit (level 2 inputs).

The fair values of the Group's derivative financial liabilities reflect the impact of changes in own credit spreads derived from observable market data (debit valuation adjustment). The impact of the cost of funding derivative positions is also taken into account in determining the fair value of derivative financial instruments (funding valuation adjustment). The funding cost is derived from observable market data; however the model may perform numerical procedures in the pricing such as interpolation when market data input values do not directly correspond to the exact parameters of the trade. Both methodologies are considered to use level 2 inputs.

Certain derivatives are valued using unobservable inputs relating to counterparty credit such as credit grade, which are significant to their valuation. The effect of using reasonably possible alternative assumptions in the valuation of these derivatives would be to increase their fair value by up to €11 million or decrease their fair value by up to €11 million, with a corresponding impact on the income statement. Where the impact of unobservable inputs is material to the valuation of the asset or liability, it is categorised as level 3 on the fair value hierarchy.

In addition a small number of derivative financial instruments are valued using significant unobservable inputs other than counterparty credit (level 3 inputs). However, changing one or more assumptions used in the valuation of these derivatives would not have a significant impact as they are entered into to hedge the exposure arising on certain customer accounts (see below), leaving the Group with no net valuation risk due to the unobservable inputs.

Other financial assets at fair value through profit or loss

These consist of assets designated at fair value through profit or loss, which are predominantly held for the benefit of unit linked policyholders, with any changes in valuation accruing to the policyholders. These assets consist principally of bonds, equities and unit trusts, which are traded on listed exchanges, are actively traded and have readily available prices. Substantially all of these assets are valued using valuation techniques which use observable market data i.e. level 1 or level 2 inputs.

Available for sale financial assets

For available for sale financial assets for which an active market exists, fair value has been determined directly from observable market prices (level 1 inputs) or yields through a recognised pricing source or an independent broker, price-provider or investment bank (level 2 inputs).

A small number of assets have been valued using vendor prices, which are not considered to represent observable market data, or discounted cash flow models which incorporate unobservable inputs (level 3 inputs).

During the year ended 31 December 2015, securities with terms and conditions substantially similar to the NAMA subordinated debt have been traded in an active market. The quoted price of these securities has been used to value the NAMA subordinated debt at 31 December 2015 (level 2 inputs). At 31 December 2014, NAMA subordinated debt had been valued using a discounted cash flow valuation technique (level 3 inputs).

55 Fair values of assets and liabilities (continued)

Interest in associates

Investments in associates which are venture capital investments are accounted for at fair value through profit or loss and are valued in accordance with the 'International Private Equity and Venture Capital Valuation Guidelines'. This requires the use of various inputs such as discounted cash flow analysis and comparison with the earnings multiples of listed comparative companies amongst others. Although the valuation of unquoted equity instruments is subjective by nature, the relevant methodologies are commonly applied by other market participants and have been consistently applied over time. Using reasonably possible alternative assumptions would not have a material impact on the value of these assets. As the inputs are unobservable, the valuation is deemed to be based on level 3 inputs.

Customer accounts and deposits by banks

Customer accounts and deposits by banks designated at fair value through profit or loss consist of deposits which contain an embedded derivative (typically an equity option). These instruments are typically valued using valuation techniques which use observable market data. The Group incorporates the effect of changes in its own credit spread when valuing these instruments. The Group estimates this spread by reference to recent transactions in the same instrument or in similar instruments issued by the Group (level 2 inputs).

A small number of customer accounts are valued using additional non-observable inputs (level 3 inputs). However, changing one or more assumptions used in the valuation of these customer accounts would not have a significant impact as these customer accounts are hedged with offsetting derivatives (see below), leaving the Group with no net valuation risk due to those non-observable inputs.

Liabilities to customers under insurance and investment contracts

In line with the accounting policy set out on pages 194 and 195, the fair value of liabilities to customers under both insurance and investment unit linked contracts is contractually linked to the fair value of the financial assets within the policyholders' unit linked funds. The value of the unit linked financial liabilities is determined using current unit prices multiplied by the number of units attributed to the contract holders at the balance sheet date. Their value is never less than the amount payable on surrender, discounted for the required notice period where applicable.

Debt securities in issue

Debt securities in issue with a fair value of €685 million (31 December 2014: €700 million) are measured at fair value through profit or loss, in order to reduce an accounting mismatch which would otherwise arise from hedging derivatives. Their fair value is based on valuation techniques incorporating significant unobservable market data (level 3 inputs). The significant unobservable input is the Group's credit spread, the estimation of which is judgemental in current market circumstances. The Group estimates this spread by reference to recent transactions in the same instrument or in similar instruments issued by the Group. In addition the Group considers the credit spread applicable to Irish Government bonds. A 1% increase / decrease in the estimated credit spread at 31 December 2015 would result in a decrease of €50 million / increase of €50 million respectively in the fair value of the liabilities, with a corresponding impact on the income statement.

(b) Financial assets and liabilities held at amortised cost

For financial assets and financial liabilities which are not subsequently measured at fair value on the balance sheet, the Group discloses their fair value in a way that permits them to be compared to their carrying amounts. The methods and assumptions used to calculate the fair values of these assets and liabilities are set out below.

Loans and advances to banks

The estimated fair value of floating rate placements and overnight placings is their carrying amount. The estimated fair value of fixed interest bearing placements is based on discounted cash flows using prevailing money market interest rates for assets with similar credit risk and remaining maturity (level 2 inputs).

Loans and advances to customers

Loans and advances are carried net of provisions for impairment. The fair value of both fixed and variable rate loans and advances to customers is estimated using valuation techniques which include:

- the discounting of estimated future cash flows at current market rates, incorporating the impact of current credit spreads and margins. The fair value reflects both loan impairments at the balance sheet date and estimates of market participants' expectations of credit losses over the life of the loans (level 3 inputs); and
- recent arm's length transactions in similar assets (level 2 inputs).

55 Fair values of assets and liabilities (continued)

Held to maturity financial assets
For held to maturity financial assets for which an active market exists, fair value has been determined directly from observable market prices (level 1 inputs).

NAMA senior bonds
NAMA senior bonds are classified as loans and receivables and are carried net of provisions for impairment. As with all financial assets, NAMA senior bonds are measured at fair value at initial recognition. The bonds do not trade in an active market. Their fair value has been estimated by using a valuation technique which takes into consideration the contractual maturity date of the bonds, the Government guarantee, collateral and other support, valuations in the repo market and the yield on Irish Government bonds of similar maturity (level 2 inputs). The bonds are subsequently measured at amortised cost.

Deposits from banks and customer accounts
The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits and other borrowings without quoted market prices is based on discounted cash flows using interest rates for new deposits with similar remaining maturity (level 2 inputs).

Debt securities in issue and subordinated liabilities
The fair values of these instruments are calculated based on quoted market prices where available (level 1 inputs). For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate to the Group for the remaining term to maturity. The yield curve used incorporates the effect of changes in the Group's own credit spread (level 2 and level 3 inputs).

(c) Fair value on offsetting positions
Where the Group manages certain financial assets and financial liabilities on the basis of its net exposure to either market risks or credit risk, the Group applies the exception allowed under paragraph 48 of IFRS 13. That exception permits the Group to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date under current market conditions. Accordingly, the Group measures the fair value of the group of financial assets and financial liabilities consistently with how market participants would price the net risk exposure at the measurement date.

(d) Fair value of non-financial assets
Investment properties
Investment properties are carried at fair value as determined by external qualified property surveyors appropriate to the properties held. Fair values have been calculated using current trends in the market of property sales and rental yields in the retail, office and industrial property markets (level 2 inputs). Other inputs take into consideration occupancy rate forecasts, sales price expectations and letting prospects (level 3 inputs). Using reasonably possible alternative assumptions would not have a material impact on the value of these assets. All properties are valued based on highest and best use.

Property
A revaluation of Group property was carried out as at 31 December 2015. All freehold and long leasehold commercial properties were valued by Lisney as external valuers, with the exception of some select properties which were valued internally by the Bank's qualified surveyors. Lisney valuations were made on the basis of observable inputs such as comparable lettings and sales (level 2 inputs). Unobservable inputs such as profile, lot size, layout and presentation of accommodation are also used (level 3 inputs). Using reasonably possible alternative assumptions would not have a material impact on the value of these assets. All properties are valued based on highest and best use.

55 Fair values of assets and liabilities (continued)

The following table sets out the level of the fair value hierarchy for assets and liabilities held at fair value. Information is also given for items carried at amortised cost where the fair value is disclosed.

31 December 2015	Quoted prices in active market Level 1 €m	Valuation techniques observable inputs Level 2 €m	Valuation techniques unobservable inputs Level 3 €m	Total €m
Financial assets held at fair value				
Trading securities	3	-	-	3
Derivative financial instruments	1	2,899	164	3,064
Other financial assets at FVTPL	11,692	571	17	12,280
AFS financial assets	9,518	409	201	10,128
Interest in associates	-	-	56	56
Non-financial assets held at fair value				
Investment property	-	-	841	841
Property held at fair value	-	-	167	167
	21,214	**3,879**	**1,446**	**26,539**
Financial liabilities held at fair value				
Customer accounts	-	1,903	-	1,903
Derivative financial instruments	1	3,614	4	3,619
Liabilities to customers under investment contracts	-	5,729	-	5,729
Insurance contract liabilities	-	10,403	-	10,403
Debt securities in issue	-	-	685	685
	1	**21,649**	**689**	**22,339**
Fair value of financial assets held at amortised cost				
Loans and advances to banks	-	4,578	-	4,578
Loans and advances to customers (including assets classified as held for sale)	-	-	79,279	79,279
NAMA senior bonds	-	1,422	-	1,422
Held to maturity financial assets	1,887	-	-	1,887
Fair value of financial liabilities held at amortised cost				
Deposits from banks	-	952	-	952
Customer accounts	-	78,316	-	78,316
Debt securities in issue	8,724	3,613	187	12,524
2009 Preference Stock and dividend	-	1,416	-	1,416
Subordinated liabilities	55	2,452	147	2,654

55 Fair values of assets and liabilities (continued)

31 December 2014	Quoted prices in active market Level 1 €m	Valuation techniques observable inputs Level 2 €m	Valuation techniques unobservable inputs Level 3 €m	Total €m
Financial assets held at fair value				
Trading securities	12	-	-	12
Derivative financial instruments	-	3,484	208	3,692
Other financial assets at FVTPL	10,925	586	17	11,528
AFS financial assets	13,096	205	279	13,580
Interest in associates	-	-	56	56
Non-financial assets held at fair value				
Investment property (including assets held for sale)	-	-	836	836
Property held at fair value	-	-	144	144
	24,033	4,275	1,540	29,848
Financial liabilities held at fair value				
Customer accounts	-	1,867	2	1,869
Derivative financial instruments	-	4,027	11	4,038
Liabilities to customers under investment contracts	-	5,680	-	5,680
Insurance contract liabilities	-	9,918	-	9,918
Debt securities in issue	-	-	631	631
Subordinated liabilities	-	-	69	69
	-	21,492	713	22,205
Fair value of financial assets held at amortised cost				
Loans and advances to banks	-	4,851	-	4,851
Loans and advances to customers	-	-	74,602	74,602
NAMA senior bonds	-	2,389	-	2,389
Fair value of financial liabilities held at amortised cost				
Deposits from banks	-	3,855	-	3,855
Customer accounts	-	73,152	-	73,152
Debt securities in issue	11,569	3,885	33	15,487
Subordinated liabilities	-	2,568	26	2,594

55 Fair values of assets and liabilities (continued)

Movements in level 3 assets **31 December 2015**	**Other financial assets at FVTPL €m**	**Derivative financial instruments €m**	**Available for sale financial assets €m**	**Interest in associates €m**	**Investment property €m**	**Property held at fair value €m**	**Total €m**
Opening Balance	17	208	279	56	836	144	1,540
Exchange Adjustment	-	8	-	-	14	3	25
Total gains or losses in:							
Profit or loss							
- Net trading income / (expense)	-	(39)	-	-	-	-	(39)
- Reversal of impairment charges	-	-	-	-	-	3	3
- Interest income	-	-	14	-	-	-	14
- Share of results of associates	-	-	-	8	-	-	8
- Life assurance investment income and gains	-	-	-	-	74	-	74
- Other operating income	-	-	34	-	30	8	72
Other comprehensive income	-	-	110	-	-	9	119
Additions	-	-	76	5	80	-	161
Disposals	-	(27)	(34)	(13)	(193)	-	(267)
Redemptions	-	-	(9)	-	-	-	(9)
Transfers out of level 3							
- from level 3 to level 2	-	(36)	(269)	-	-	-	(305)
Transfers into level 3							
- from level 2 to level 3	-	50	-	-	-	-	50
Closing balance	**17**	**164**	**201**	**56**	**841**	**167**	**1,446**
Other transfers							
- from level 1 to level 2	-	-	8	-	-	-	8
- from level 2 to level 1	-	-	18	-	-	-	18
Total gains / (losses) for the year included in profit or loss for level 3 assets at the end of the reporting year							
- Net trading income / (expense)	-	(57)	-	-	-	-	(57)
- Life assurance investment income and gains	-	-	-	-	74	-	74
- Other operating income	-	-	5	-	6	8	19
- Reversal of impairment charges	-	-	-	-	-	3	3
- Share of results of associates	-	-	-	8	-	-	8

The transfer from level 3 to level 2 arose as a result of the availability of observable inputs at 31 December 2015 which were unavailable at 31 December 2014.

The transfer from level 2 to level 3 arose as a result of the unobservable inputs becoming significant to the fair value measurement of these assets.

The transfer from level 2 to level 1 arose as a result of the availability of level 1 inputs at 31 December 2015 which were unavailable at 31 December 2014.

The transfer from level 1 to level 2 arose as a result of the unavailability of level 1 inputs at 31 December 2015 which were available at 31 December 2014. For such assets observable inputs (other than level 1 inputs) were available at 31 December 2015.

55 Fair values of assets and liabilities (continued)

Movements in level 3 assets 31 December 2014	Other financial assets at FVTPL €m	Derivative financial instruments €m	Available for sale financial assets €m	Interest in associates €m	Investment property €m	Property held at fair value €m	Total €m
Opening Balance	17	350	175	41	805	132	1,520
Exchange Adjustment	-	10	-	-	20	5	35
Reclassifications	-	-	-	-	-	(1)	(1)
Total gains or losses in:							
Profit or loss							
- Net trading income / (expense)	-	11	-	-	-	-	11
- Reversal of impairment charges	-	-	55	-	-	9	64
- Interest income	-	-	25	-	-	-	25
- Share of results of associates	-	-	-	11	-	-	11
- Life assurance investment income and gains	-	-	-	-	58	-	58
- Other operating income	-	-	-	-	36	-	36
Other comprehensive income	-	-	34	-	-	1	35
Additions	-	-	17	11	57	-	85
Disposals	-	(69)	(6)	(7)	(140)	(2)	(224)
Redemptions	-	(20)	(20)	-	-	-	(40)
Transfers out of level 3							
- from level 3 to level 2	-	(83)	-	-	-	-	(83)
- from level 3 to level 1	-	-	(1)	-	-	-	(1)
Transfers into level 3							
- from level 2 to level 3	-	9	-	-	-	-	9
Closing balance	17	208	279	56	836[1]	144	1,540
Total gains / (losses) for the year included in profit or loss for level 3 assets at the end of the reporting year							
- Net trading income / (expense)	-	154	-	-	-	-	154
- Interest income / (expense)	-	-	50	-	-	-	50
- Life assurance investment income and gains	-	-	-	-	48	-	48
- Other operating income	-	-	-	-	30	-	30
- Reversal of impairment charges	-	-	70	-	-	9	79
- Share of results of associates	-	-	-	6	-	-	6

[1] *At 31 December 2014, investment property includes a held for sale balance of €135 million for Galleri K.*

The transfer from level 3 to level 2 arose as a result of the availability of observable inputs at 31 December 2014 which were unavailable at 31 December 2013 or as a result of unobservable inputs becoming less significant to the fair value measurement of these assets.

The transfer from level 3 to level 1 is as a result of the unavailability of a level 1 pricing source at the balance sheet date for that security.

The transfer from level 2 to level 3 arose as a result of the unobservable inputs becoming significant to the fair value measurement of these assets.

There were no transfers between levels 1 and 2.

55 Fair values of assets and liabilities (continued)

Movements in level 3 liabilities 31 December 2015	Customer accounts €m	Derivative financial instruments €m	Debt securities in issue €m	Subordinated liabilities €m	Total €m
Opening balance	2	11	631	69	713
Exchange adjustments	-	-	-	7	7
Total gains or losses in:					
Profit or loss					
- Net trading income / (expense)	-	6	(6)	1	1
Additions	-	-	165	-	165
Redemptions and maturities	-	(10)	(105)	(77)	(192)
Transfers out of level 3					
- from level 3 to level 2	(2)	(3)	-	-	(5)
Closing balance	**-**	**4**	**685**	**-**	**689**

Total gains / (losses) for the year included in profit or loss for level 3 liabilities at the end of the reporting year					
Net trading income / (expense)	-	(2)	(17)	-	(19)

The transfers from level 3 to level 2 arose due to unobservable inputs becoming less significant to the fair value measurement of these liabilities.

There were no transfers between levels 1 and 2.

55 Fair values of assets and liabilities (continued)

Movements in level 3 liabilities 31 December 2014	Customer accounts €m	Derivative financial instruments €m	Debt securities in issue €m	Subordinated liabilities €m	Total €m
Opening balance	23	81	519	63	686
Exchange adjustments	-	-	-	8	8
Total gains or losses in:					
Profit or loss					
- Net trading income / (expense)	4	(54)	65	(2)	13
Additions	18	1	125	-	144
Redemptions and maturities	-	(9)	(78)	-	(87)
Transfers out of level 3					
- from level 3 to level 2	(43)	(8)	-	-	(51)
Closing balance	2	11	631	69	713
Total gains / (losses) for the year included in profit or loss for level 3 liabilities at the end of the reporting year					
Net trading income / (expense)	-	(10)	(51)	2	(59)

The transfers from level 3 to level 2 arose due to the availability of observable inputs at 31 December 2014 which were unavailable at 31 December 2013.

There were no transfers between levels 1 and 2.

55 Fair values of assets and liabilities (continued)

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Level 3 assets	Valuation technique	Unobservable input	Fair value 31 December 2015 €m	Fair value 31 December 2014 €m	Range 31 December 2015 %	Range 31 December 2014 %
Derivative financial assets	Discounted cash flow	Credit spread[1]	164	208	0% - 4%	0% - 4%
	Option pricing model	Credit spread[1]			0% - 4%	0% - 4%
Other financial assets at fair value through profit or loss	Discounted cash flow	Discount rate[2]	17	17	Third party pricing	Third party pricing
AFS financial assets	Discounted cash flow	Discount rate[2]	201	279	Third party pricing	10% - 13%
	Vendor valuations	EBITDA multiple[3]			Third party pricing	Third party pricing
		Liquidity factor			Third party pricing	Third party pricing
Interest in associates	Market comparable companies	Price of recent investment	56	56	Third party pricing	Third party pricing
		Earnings multiple[3]			Third party pricing	Third party pricing
		Revenue multiple[3]			Third party pricing	Third party pricing
Investment property	Market comparable property transactions	Property valuation assumptions	841	836	Third party pricing	Third party pricing
Property held at fair value	Market comparable property transactions	Property valuation assumptions	167	144	Third party pricing	Third party pricing

Level 3 liabilities	Valuation technique	Unobservable input	Fair value 31 December 2015 €m	Fair value 31 December 2014 €m	Range 31 December 2015 %	Range 31 December 2014 %
Customer accounts	Discounted cash flow	Credit spread[1]	-	2	-	0% - 4%
Derivative financial liabilities	Discounted cash flow	Credit spread[1]	4	11	0% - 4%	0% - 4%
	Option pricing model	Credit spread[1]			Third party pricing	Third party pricing
Debt securities in issue	Discounted cash flow	Credit spread[1]	685	631	0% - 4%	0% - 4%
Subordinated liabilities	Broker quotes	Credit spread[1]	-	69	-	Third party pricing

[1] The credit spread represents the range of credit spreads that market participants would use in valuing these contracts.
[2] The discount rate represents a range of discount rates that market participants would use in valuing these investments.
[3] The Group's multiples represent multiples that market participants would use in valuing these investments.

Note: 100 basis points = 1%

55 Fair values of assets and liabilities (continued)

The carrying amount and the fair value of the Group's financial assets and liabilities which are carried at amortised cost, are set out in the table below. Items where the carrying amount is a reasonable approximation of fair value are not included, as permitted by IFRS 7.

	31 December 2015		31 December 2014	
Non-trading financial instruments	**Carrying amount €m**	**Fair values €m**	Carrying amount €m	Fair values €m
Assets				
Loans and advances to banks	4,578	4,578	4,851	4,851
Loans and advances to customers (including assets classified as held for sale)	84,709	79,279	82,118	74,602
NAMA senior bonds	1,414	1,422	2,374	2,389
Held to maturity financial assets	1,922	1,887	-	-
Liabilities				
Deposits from banks	952	952	3,855	3,855
Customer accounts	78,261	78,316	72,968	73,152
Debt securities in issue	12,558	12,524	15,409	15,487
2009 Preference Stock and dividend	1,416	1,416	-	-
Subordinated liabilities	2,440	2,654	2,431	2,594

56 Transferred financial assets

The Group has transferred certain financial assets that are not derecognised from the Group's balance sheet. Such arrangements are securitisations and sale or repurchase agreements. The Group is exposed to substantially all risks and rewards including Credit & Market Risk associated with the transferred assets.

31 December 2015 Categories	**Carrying amount of transferred assets €m**	**Carrying amount of associated liabilities[1] €m**	**Fair value of transferred assets €m**	**Fair value of associated liabilities[1] €m**	**Net fair value position €m**
Securitisation					
Loans and receivables					
Residential mortgages book (Brunel SPE) - Including buybacks[2]	1,109	1,307	1,029	1,211	(182)
Irish Residential mortgages (Kildare SPE)[2]	1,213	1,253	1,025	1,115	(90)
Partholon CDO plc (corporate loans)[2]	21	21	17	17	-
Sale and repurchase					
Available for sale financial assets[3]	139	131	n/a	n/a	n/a

31 December 2014 Categories	Carrying amount of transferred assets €m	Carrying amount of associated liabilities[1] €m	Fair value of transferred assets €m	Fair value of associated liabilities[1] €m	Net fair value position €m
Securitisation					
Loans and receivables					
Residential mortgages book (Brunel SPE) - Including buybacks[2]	1,256	1,508	1,149	1,448	(299)
Irish Residential mortgages (Kildare SPE)[2]	1,315	1,368	1,092	1,243	(151)
Partholon CDO plc (corporate loans)[2]	41	41	36	36	-
Sale and repurchase					
Available for sale financial assets[3]	1,611	1,533	n/a	n/a	n/a

Description of the relationship between the transferred assets and the associated liabilities, including the restrictions on the entity's use of those assets:
[1] *For the purposes of this disclosure, associated liabilities include liabilities issued by securitisation SPEs, held by other Group entities.*
[2] *For each securitisation the relevant loan book / pool is ring-fenced whereby the cash flows associated with these assets can only be used to repay the related notes holders plus associated issuance fees / costs.*
[3] *Assets sold subject to repurchase agreements are retained on the balance sheet and reclassified as pledged assets when the transferee has the right by contract to sell or repledge the collateral; the counterparty liability is included in deposits by banks or customer accounts, as appropriate. The difference between the original sale price of the bonds and the repurchase price is the repo rate.*
n/a: Not applicable as arrangement has recourse to assets other than the transferred assets.

The Group has not entered into any agreements on the sale of assets that entail the Group's continuing involvement in derecognised financial assets.

57 Offsetting financial assets and liabilities

The following tables sets out the effect or potential effect of netting arrangements on the Group's financial position. This includes the effect or potential effect of rights of set-off associated with the Group's recognised financial assets and recognised financial liabilities that are subject to an enforceable master netting arrangement, irrespective of whether they are set off in accordance with paragraph 42 of IAS 32.

31 December 2015 Assets	Gross amounts of recognised financial assets €m	Gross amounts of recognised financial liabilities set off in the balance sheet €m	Net amounts of financial assets presented in the balance sheet €m	Related amounts not set off in the balance sheet: Financial[1] instruments €m	Related amounts not set off in the balance sheet: Cash[2] collateral received €m	Net amount €m
Derivative financial assets	2,648	-	2,648	(1,982)	(495)	171
Loans and advances to customers	2,049	(2,049)	-	-	-	-
Total	**4,697**	**(2,049)**	**2,648**	**(1,982)**	**(495)**	**171**

[1] Amounts of €1,982 million represent recognised derivatives liabilities at fair value that do not meet the offsetting criteria.
[2] Cash collateral amounts disclosed reflect the maximum collateral available for offset. Cash collateral received is reported within deposits from banks (see note 35).

The following financial liabilities are subject to offsetting, enforceable master netting arrangements.

31 December 2015 Liabilities	Gross amounts of recognised financial liabilities €m	Gross amounts of recognised financial assets set off in the balance sheet €m	Net amounts of financial liabilities presented in the balance sheet €m	Related amounts not set off in the balance sheet: Financial[1] instruments €m	Related amounts not set off in the balance sheet: Cash[2] collateral pledged €m	Net amount €m
Derivative financial liabilities	3,522	-	3,522	(1,982)	(1,394)	146
Customer deposits	2,049	(2,049)	-	-	-	-
Total	**5,571**	**(2,049)**	**3,522**	**(1,982)**	**(1,394)**	**146**

[1] Amounts of €1,982 million represent recognised derivatives assets at fair value that do not meet the offsetting criteria.
[2] Cash collateral amounts disclosed reflect the maximum collateral available for offset.

57 Offsetting financial assets and liabilities (continued)

31 December 2014 Assets	Gross amounts of recognised financial assets €m	Gross amounts of recognised financial liabilities set off in the balance sheet €m	Net amounts of financial assets presented in the balance sheet €m	Related amounts not set off in the balance sheet: Financial[1] instruments €m	Related amounts not set off in the balance sheet: Cash[2] collateral received €m	Net amount €m
Derivative financial assets	3,071	-	3,071	(2,480)	(514)	77
Loans and advances to customers	2,138	(2,138)	-	-	-	-
Total	5,209	(2,138)	3,071	(2,480)	(514)	77

[1] *Amounts of €2,480 million represent recognised derivatives liabilities at fair value that do not meet the offsetting criteria.*
[2] *Cash collateral amounts disclosed reflect the maximum collateral available for offset. Cash collateral received is reported within deposits from banks (see note 35).*

The following financial liabilities are subject to offsetting, enforceable master netting arrangements.

31 December 2014 Liabilities	Gross amounts of recognised financial liabilities €m	Gross amounts of recognised financial assets set off in the balance sheet €m	Net amounts of financial liabilities presented in the balance sheet €m	Related amounts not set off in the balance sheet: Financial[1] instruments €m	Related amounts not set off in the balance sheet: Cash[2] collateral pledged €m	Net amount €m
Derivative financial liabilities	3,931	-	3,931	(2,480)	(1,266)	185
Customer deposits	2,420	(2,220)	200	-	-	200
Total	6,351	(2,220)	4,131	(2,480)	(1,266)	385

[1] *Amounts of €2,480 million represent recognised derivatives assets at fair value that do not meet the offsetting criteria.*
[2] *Cash collateral amounts disclosed reflect the maximum collateral available for offset.*

The 'Financial Instruments' column identifies financial assets and liabilities that are subject to set off under netting agreements such as ISDA Master agreement. The agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

58 Life assurance business

Value of the in force asset	31 December 2015 €m	31 December 2014 €m
At beginning of year	547	497
Income statement movement in value of the in force asset (gross of tax)	(3)	50
At end of year	**544**	**547**

The Group recognises as an asset the value of the in force assurance business in respect of insurance contracts. The value of the in force asset, has been calculated in accordance with the achieved profits embedded value methodology in the Statement of Recommended Practice issued by the Association of British Insurers which came into force in 2002. The value of the in force asset, which is presented gross of attributable tax, represents the present value of future profits expected to arise from these contracts as at the balance sheet date. It is determined by projecting future surpluses and other cash flows arising from insurance contracts and discounting at an appropriate rate. The useful life of the asset is based on the length of the underlying individual policies upon which the asset is calculated. This useful life is expected to be 6.6 years as at 31 December 2015 (31 December 2014: 6.7 years).

The key economic assumptions used in the calculation of the value of the in force business are set out below:

	31 December 2015	31 December 2014
Risk discount rate	6.13%	5.94%
Unit growth rate	3.60%	3.40%
Shareholder tax rate	12.5%	12.5%

The process used in determining the key economic and experience assumptions is set out below:

Risk discount rate:	The risk discount rate is the rate used to discount the future surpluses that will arise on insurance business in the long-term funds. The interest rates used to calculate policyholder liabilities are derived in accordance with the guidelines in the Insurance Regulations. Margins for risk are allowed for in the derived interest rates. In line with December 2014 the Euro Swap curve is used as a benchmark for an international mix of fixed interest assets. The risk discount rate applied to future cash flows at December 2015 is 6.13% (31 December 2014: 5.94%).
Unit growth rate:	The unit growth rate is the assumed rate of return on the unit linked assets before taxation and management fees in future years. The growth rate reflects the mix of assets held. The unit growth rate has increased to 3.60% at 31 December 2015 (31 December 2014: 3.40%).
Shareholder tax rate:	The current rate of corporation tax is assumed to be maintained over the term of the business. Deferred tax is allowed for on the release of retained surplus in the life business.
Mortality and morbidity:	Mortality and morbidity assumptions, which include allowances for improvements in longevity for annuitants, are set by reference to the Group's actual experience and / or relevant industry data.
Persistency:	Persistency rates refer to the rate of policy termination for insurance policies. These rates are based on historical experience and management's views on future experience.
Maintenance expenses:	Allowance is made for future policy costs by reference to current and expected future costs. Explicit allowance is made for future expense inflation.

58 Life assurance business (continued)

Sensitivities

The table below indicates the standalone impact of changes in the key assumptions on profit.

	31 December 2015 €m	31 December 2014 €m
1% increase in risk discount rate	(34)	(35)
1% decrease in risk discount rate	37	39
1% increase in unit growth rate	23	20
1% decrease in unit growth rate	(21)	(19)
10% improvement in mortality	12	12
10% improvement in longevity	(19)	(21)
10% improvement in morbidity	7	7
10% deterioration in persistency	(14)	(15)
5% improvement in maintenance expenses	10	9
1% increase in equity markets	2	2

While the table above shows the impact of an individual assumption change, a change in one assumption could impact on other assumptions due to the relationship between assumptions.

59 Post balance sheet events

On 4 January 2016, the Group redeemed the remaining €1.3 billion of 2009 Preference Stock at par and paid a dividend of €116 million to Baggot. See note 46 for further details.

60 Approval of financial statements

The Court of Directors approved the consolidated and Bank financial statements on 19 February 2016.

Bank Financial Statements

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Bank balance sheet as at 31 December 2015

	Note	31 December 2015 €m	31 December 2014 €m
Assets			
Cash and balances at central banks	aa	2,149	1,186
Items in the course of collection from other banks		93	82
Trading securities		3	12
Derivative financial instruments	d	3,033	3,608
Loans and advances to banks	e	18,383	20,259
Available for sale financial assets	f	10,117	14,965
Held to maturity financial assets	g	1,922	-
NAMA senior bonds	h	1,414	2,374
Loans and advances to customers	i	41,036	42,918
Shares in Group undertakings	k	4,415	4,102
Intangible assets	l	462	355
Property, plant and equipment	m	305	298
Deferred tax assets	u	1,221	1,358
Other assets	n	455	594
Retirement benefit asset	t	14	2
Assets classified as held for sale		-	5
Total assets		**85,022**	**92,118**
Equity and liabilities			
Deposits from banks	o	6,624	12,209
Customer accounts	p	56,500	56,870
Items in the course of transmission to other banks		138	93
Derivative financial instruments	d	3,792	4,298
Debt securities in issue	q	5,086	6,490
Current tax liability		19	17
Other liabilities	r	2,007	704
Provisions	s	78	83
Retirement benefit obligations	t	607	824
Subordinated liabilities	v	2,363	2,426
Total liabilities		**77,214**	**84,014**
Equity			
Capital stock	x	2,558	2,558
Stock premium account		1,125	1,125
Retained earnings		3,954	3,720
Other reserves		(569)	701
Stockholders' equity		**7,068**	**8,104**
Other equity instruments		740	-
Total equity		**7,808**	**8,104**
Total equity and liabilities		**85,022**	**92,118**

Archie G Kane	***Patrick Kennedy***	***Richie Boucher***	***Helen Nolan***
Governor	*Deputy Governor*	*Group Chief Executive*	*Group Secretary*

Bank statement of changes in equity for the year ended 31 December 2015

	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Capital stock	**2,558**	**2,558**
Stock premium account	**1,125**	**1,125**
Retained earnings		
Balance at the beginning of the year	3,720	3,411
Profit retained	167	598
- Profit for year attributable to stockholders	*424*	*739*
- Dividends on 2009 Preference Stock	*(249)*	*(133)*
- Dividends on other preference equity interests paid in cash	*(8)*	*(8)*
Remeasurement of the net defined benefit pension liability	67	(291)
Transfer from share based payment reserve	1	2
Other movements	(1)	-
Balance at the end of the year	**3,954**	**3,720**
Other reserves:		
Available for sale reserve		
Balance at the beginning of the year	568	534
Net changes in fair value	134	316
Transfer to income statement (pre tax)		
- Asset disposal	(203)	(279)
- Amortisation	(11)	-
Deferred tax on reserve movements	(6)	(3)
Balance at the end of the year	**482**	**568**
Cash flow hedge reserve		
Balance at the beginning of the year	199	55
Changes in fair value	(314)	(293)[1]
Transfer from income statement (pre tax)		
- Net trading income (foreign exchange)	319	537[1]
- Net interest income	(62)	(80)
Deferred tax on reserve movements	16	(20)
Balance at the end of the year	**158**	**199**

[1] *Comparative figures have been adjusted in the cash flow hedge reserve resulting in a change of €162 million in 'changes in fair value' with an offsetting increase in 'transfer to income statement'.*

Bank statement of changes in equity for the year ended 31 December 2015 (continued)

	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Foreign exchange reserve		
Balance at the beginning of the year	(237)	(469)
Exchange adjustments during the year	144	232
Balance at the end of the year	**(93)**	**(237)**
Capital contribution	**116**	**116**
Capital reserve		
Balance at the beginning of the year	48	48
Balance at the end of the year	**48**	**48**
Share based payment reserve		
Balance at the beginning of the year	1	3
Transfer to retained earnings	(1)	(2)
Balance at the end of the year	**-**	**1**
Revaluation reserve		
Balance at the beginning of the year	6	5
Revaluation of property	14	1
Deferred tax on reserved movements	(3)	-
Balance at the end of the year	**17**	**6**
Reserve for 2009 Preference Stock to be redeemed		
Balance at the beginning of the year	-	-
Redemption of 2009 Preference Stock	(1,297)	-
Balance at the end of the year	**(1,297)**	**-**
Total other reserves	**(569)**	**701**
Total stockholders' equity	**7,068**	**8,104**
Other equity instruments		
Balance at the beginning of the year	-	-
Issue of other equity instruments	740	-
Balance at the end of the year	**740**	**-**
Total equity	**7,808**	**8,104**

Bank cash flow statement
for the year ended 31 December 2015

	Note	**Year ended 31 December 2015 €m**	Year ended 31 December 2014 €m
Cash flows from operating activities			
Profit before tax		598	817
Dividends received from Group undertakings		(10)	(492)
Depreciation and amortisation	l,m	112	105
Impairment charges on financial assets		235	445
Loss on deleveraging of financial assets		-	118
Loss on disposal / liquidation of business activity		-	3
(Reversal of impairment) / revaluation of property	m	(6)	(7)
Interest expense on subordinated liabilities		214	195
Charge for retirement benefit obligation		141	128
Impact of amendments to defined benefit pension schemes	t	(4)	(93)
(Gains) / charges arising on the movement in credit spreads on the Bank's own debt and deposits accounted for at 'fair value through profit or loss'		(11)	10
Net changes in accruals and interest payable		(118)	(167)
Net changes in prepayments and interest receivable		54	42
Other non-cash items		(44)	(262)
Cash flows from operating activities before changes in operating assets and liabilities		**1,161**	**842**
Net change in items in the course of collection from other banks		34	121
Net change in trading securities		9	240
Net change in derivative financial instruments		11	394
Net change in other financial assets at fair value through profit or loss		-	143
Net change in loans and advances to banks		1,629	4,393
Net change in loans and advances to customers		2,463	1,628
Net change in NAMA senior bonds		968	1,602
Net change in other assets		85	46
Net change in deposits from banks		(5,801)	(16,327)
Net change in customer accounts		(557)	2,436
Net change in debt securities in issue		(1,432)	2,114
Net change in other operating liabilities		(482)	(373)
Net cash flows from operating assets and liabilities		**(3,073)**	**(3,583)**
Net cash flows from operating activities before taxation		**(1,912)**	**(2,741)**
Tax paid		(25)	(2)
Net cash flows from operating activities		**(1,937)**	**(2,743)**
Investing activities (section a)		2,611	3,404
Financing activities (section b)		412	454
Effect of exchange translation and other adjustments		(625)	(716)
Net change in cash and cash equivalents		**461**	**399**
Opening cash and cash equivalents	aa	3,309	2,910
Closing cash and cash equivalents	aa	**3,770**	**3,309**

[1] *The presentation of foreign exchange translation adjustments in the cash flow statement has been amended to more closely reflect how foreign exchange is managed by the Bank.*

Bank cash flow statement
for the year ended 31 December 2015 (continued)

	Notes	**Year ended 31 December 2015 €m**	Year ended 31 December 2014 €m
(a) Investing activities			
Additions to available for sale financial assets	f	(2,572)	(3,133)
Disposal / redemption of available for sale financial assets	f	5,559	3,782
Disposal of loan portfolios		-	1,835
Dividends received from Group undertakings		10	492
Additions to property, plant and equipment	m	(23)	(23)
Disposal of property, plant and equipment	m	1	7
Disposal of assets held for sale		5	-
Additions to intangible assets	l	(200)	(110)
Disposal of intangible assets	l	19	-
Additions to Group undertakings	k	(653)	(8)
Repayment / disposal of Group undertakings	k	465	570
Consideration paid for acquisition of business activity		-	(231)
Net proceeds from disposal of business activity		-	223
Cash flows from investing activities		**2,611**	**3,404**
(b) Financing activities			
Interest paid on subordinated liabilities		(187)	(155)
Dividend paid on 2009 Preference Stock and other preference equity interests		(141)	(141)
Net proceeds from issue of new subordinated liabilities		-	750
Net proceeds from the issue of other equity instruments	z	740	-
Cash flows from financing activities		**412**	**454**

Notes to the Bank financial statements

a Accounting policies and critical accounting estimates and judgements

The Bank financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and with those parts of the Companies Act 2014 applicable to companies reporting under IFRS, with the European Union (Credit Institutions: Financial Statements) Regulations 2015. The EU adopted version of IAS 39 Financial Instruments - Recognition and Measurement relaxes some of the hedge accounting rules in IAS 39 Financial Instruments - Recognition and Measurement. The Bank has not availed of this, hence these financial statements comply with both IFRS as adopted by the EU and IFRS as issued by the IASB.

The financial statements reflect the financial position of the Bank only and do not consolidate the results of any subsidiaries. The accounts are presented in euro millions except where otherwise indicated. The financial statements have been prepared under the historical cost convention, as modified to include the fair valuation of certain financial instruments and land and buildings. The accounting policies of the holding company are the same as those of the Group which are set out in the Group accounting policies section of the Annual Report on pages 175 to 199 where applicable. The Bank's investments in its subsidiaries are stated at cost less any impairment.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. A description of the critical estimates and judgements is set out on pages 200 to 202 of the Group's Annual Report.

Impairment review of shares in Group undertakings

The Bank reviews its shares in Group undertakings for impairment at each reporting date. Impairment testing involves the comparison of the carrying value of the investment with its recoverable amount. The recoverable amount is the higher of the investment's fair value or its value in use. Value in use is the present value of expected future cash flows from the investment. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Impairment testing inherently involves a number of judgemental areas: the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting; the assessment of the discount rate appropriate to the business; estimation of the fair value of the investment; and the valuation of the separable assets comprising the overall investment in the Group undertaking. The use of reasonably possible alternative assumptions would not materially impact the carrying value of the Bank's shares in Group undertakings. See note k for further information.

b Auditors' remuneration (excluding VAT)

Auditors' remuneration (excluding VAT and including expenses)	Notes	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Audit and assurance services			
Statutory audit		1.4	1.4[1]
Assurance services	(i)	2.1	1.9
		3.5	**3.3**
Other services			
Taxation services		-	0.1
Other non-audit services	(ii)	0.1	0.1
Total auditors' remuneration		**3.6**	**3.5**

[1] *The comparative year has been restated to reflect the impact of the implementation of Section 322 of the Companies Act 2014 and the resulting inclusion of expenses in the table above.*

The figures in the above table relate to fees payable to the Statutory Auditor, PricewaterhouseCoopers (PwC) Ireland. The Group Audit Committee has reviewed the level of fees and is satisfied that it has not affected the independence of the auditors.

(i) Assurance services consist primarily of fees in connection with reporting to regulators including the Central Bank of Ireland, review of the interim financial statements, letters of comfort, review of compliance with Government Guarantee Schemes, reporting on internal controls, reporting accountants' work and other accounting matters; and
(ii) Other non-audit services consist primarily of fees for translation services and other assignments.

c Staff costs

Staff costs	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
Aggregate staff costs are analysed as follows:		
Wages and salaries	559	529
Social security costs	59	56
Retirement benefit costs[1] (defined benefit plans) (note t)	128	114
Retirement benefit costs (defined contribution plans)	9	1
Payment in respect of the career and reward framework	-	32
Other staff expenses	8	3
	763	735
Staff costs capitalised	(5)	(8)
Total staff costs excluding restructuring	758	727
Staff costs included in cost of restructuring programme	45	54
Total staff costs	**803**	**781**
Retirement benefit gain (note t)	(4)	(93)
Total staff costs including retirement benefit gain	**799**	**688**

[1] *The Retirement benefit cost is shown net of recoveries from subsidiaries.*

c Staff costs (continued)

Staff numbers

At 31 December 2015, the number of staff (full time equivalents) was 9,576 (31 December 2014: 9,634).

The average number of staff (full time equivalents) during the year was 9,782 (year ended 31 December 2014: 9,787) categorised as follows in line with the operating segments as stated in the Consolidated financial statements note 3.

Average number of staff (full time equivalents)	**Year ended 31 December 2015**	Year ended 31 December 2014
Retail Ireland	4,630	4,740
Retail UK	1,681	1,528
Corporate and Treasury	637	609
Group Centre	2,834	2,910
Total	**9,782**	**9,787**

d Derivative financial instruments

Information on derivatives is outlined in note 20 to the Consolidated financial statements.

The notional amounts and fair values of derivative instruments held by the Bank are set out in the following tables:

31 December 2015	Contract / notional amount €m	Fair Values Assets €m	Fair Values Liabilities €m
Derivatives held for trading			
Foreign exchange derivatives			
Currency forwards	1,849	28	32
Currency swaps	4,711	54	62
Over the counter currency options	662	4	4
Total foreign exchange derivatives held for trading	**7,222**	**86**	**98**
Interest rate derivatives			
Interest rate swaps	195,523	1,864	2,299
Cross currency interest rate swaps	4,022	287	272
Forward rate agreements	1,067	-	-
Over the counter interest rate options	5,133	26	26
Interest rate futures	3,220	1	1
Exchange traded interest rate options	9,790	-	-
Total interest rate derivatives held for trading	**218,755**	**2,178**	**2,598**
Equity contracts, commodity contracts and credit derivatives			
Equity index-linked contracts held	3,979	200	28
Equity conversion feature in Convertible Contingent Capital Note	1,000	3	-
Credit derivatives	224	-	3
Commodity contracts	136	22	22
Total equity contracts and credit derivatives	**5,339**	**225**	**53**
Total derivative assets / liabilities held for trading	**231,316**	**2,489**	**2,749**
Derivatives held for hedging			
Derivatives designated as fair value hedges			
Interest rate swaps	13,289	159	385
Cross currency interest rate swaps	13	1	-
Total designated as fair value hedges	**13,302**	**160**	**385**
Derivatives designated as cash flow hedges			
Interest rate swaps	13,421	312	58
Cross currency interest rate swaps	9,642	72	600
Total designated as cash flow hedges	**23,063**	**384**	**658**
Total derivative assets / liabilities held for hedging	**36,365**	**544**	**1,043**
Total derivative assets / liabilities	**267,681**	**3,033**	**3,792**
Amounts include:			
Due from / to Group undertakings	44,755	95	183

d Derivative financial instruments (continued)

31 December 2014	Contract / notional amount €m	Fair Values Assets €m	Fair Values Liabilities €m
Derivatives held for trading			
Foreign exchange derivatives			
Currency forwards	7,170	74	113
Currency swaps	524	26	27
Over the counter currency options	260	2	2
Total foreign exchange derivatives held for trading	7,954	102	142
Interest rate derivatives			
Interest rate swaps	177,892	2,320	2,681
Cross currency interest rate swaps	3,826	182	252
Forward rate agreements	221	-	-
Over the counter interest rate options	5,115	45	42
Interest rate futures	1,600	-	1
Exchange traded interest rate options	9,884	-	-
Total interest rate derivatives held for trading	198,538	2,547	2,976
Equity contracts, commodity contracts and credit derivatives			
Equity index-linked contracts held	3,987	277	10
Equity conversion feature in Convertible Contingent Capital Note	1,000	22	-
Credit derivatives	160	-	2
Commodity contracts	126	17	17
Total equity contracts and credit derivatives	5,273	316	29
Total derivative assets / liabilities held for trading	211,765	2,965	3,147
Derivatives held for hedging			
Derivatives designated as fair value hedges			
Interest rate swaps	14,512	188	652
Cross currency interest rate swaps	40	3	-
Total designated as fair value hedges	14,552	191	652
Derivatives designated as cash flow hedges			
Interest rate swaps	16,050	452	65
Cross currency interest rate swaps	7,720	-	434
Total designated as cash flow hedges	23,770	452	499
Total derivative assets / liabilities held for hedging	38,322	643	1,151
Total derivative assets / liabilities	250,087	3,608	4,298
Amounts include:			
Due from / to Group undertakings	48,175	103	284

Derivatives held for trading comprise derivatives entered into with trading intent as well as derivatives entered into with economic hedging intent to which the Bank does not apply hedge accounting. Derivatives classified as held for hedging in the table above comprise only those derivatives to which the Bank applies hedge accounting.

The Bank uses netting arrangements and collateral agreements to reduce its exposure to credit losses. Of the derivative assets of €3.0 billion at 31 December 2015 (31 December 2014: €3.6 billion):

- €2.0 billion (31 December 2014: €2.5 billion) are available for offset against derivative liabilities under master netting arrangements. These transactions do not meet the criteria under IAS 32 to enable the assets to be presented net of the liabilities; and
- €1.0 billion (31 December 2014: €1.1 billion) are not covered by master netting arrangements or relate to counterparties covered by master netting arrangements with whom a net asset position was held at the balance sheet date.

d Derivative financial instruments (continued)

At 31 December 2015, cash collateral of €0.4 billion (31 December 2014: €0.4 billion) was held against these assets and is reported within deposits from banks (see note o).

Placements with other banks and loans and advances to customers include cash collateral of €1.8 billion (31 December 2014: €1.6 billion) placed with derivative counterparties in respect of the net derivative liability position of €1.6 billion (31 December 2014: €1.5 billion) and is reported within loans and advances to banks (note e) and loans and advances to customers (note i).

The Bank designates certain derivatives as hedging instruments in either fair value or cash flow hedge relationships.

Fair value hedges
Certain interest rate and cross currency interest rate derivatives are designated as hedging instruments. These are primarily used to reduce the interest rate and foreign exchange exposure on the Bank's fixed rate debt held and debt issued portfolios.

Cash flow hedges
The Bank designates certain interest rate and currency derivatives in cash flow hedge relationships in order to hedge the exposure to variability in future cash flows arising from floating rate assets and liabilities and from foreign currency assets. Movements in the cash flow hedge reserve are shown in the statement of changes in equity (page 297).

The years in which the hedged cash flows are expected to occur are shown in the table below.

31 December 2015	**Up to 1 year €m**	**1 to 2 years €m**	**2 to 5 years €m**	**Over 5 years €m**	**Total €m**
Forecast receivable cash flows	7,277	2,417	57	18	9,769
Forecast payable cash flows	(14)	(26)	(12)	(30)	(82)

31 December 2014	Up to 1 year €m	1 to 2 years €m	2 to 5 years €m	Over 5 years €m	Total €m
Forecast receivable cash flows	2,404	5,371	128	166	8,069
Forecast payable cash flows	(5)	(13)	(63)	(161)	(242)

The hedged cash flows are expected to impact the income statement in the following years:

31 December 2015	**Up to 1 year €m**	**1 to 2 years €m**	**2 to 5 years €m**	**Over 5 years €m**	**Total €m**
Forecast receivable cash flows	9,689	11	59	10	9,769
Forecast payable cash flows	(27)	(14)	(12)	(29)	(82)

31 December 2014	Up to 1 year €m	1 to 2 years €m	2 to 5 years €m	Over 5 years €m	Total €m
Forecast receivable cash flows	7,770	39	67	193	8,069
Forecast payable cash flows	(8)	(15)	(42)	(177)	(242)

During the year ended 31 December 2015, there were no forecast transactions to which the Bank had applied hedge accounting which were no longer expected to occur. During the year ended 31 December 2014, cash flow hedging was discontinued on forecast interest payments on a Danish Krone (DKK) borrowing of DKK 485 million, which were no longer expected to occur.

e Loans and advances to banks

	31 December 2015 €m	31 December 2014 €m
Placements with other banks	18,122	19,801
Securities purchased with agreement to resell	151	27
Mandatory deposits with central banks	110	109
Funds placed with the Central Bank	-	322
Loans and advances to banks	**18,383**	**20,259**
Amounts include:		
Due from Group undertakings	16,099	17,182

Placements with other banks includes cash collateral of €1.6 billion (31 December 2014: €1.6 billion) placed with derivative counterparties in relation to net derivative liability positions (see note d).

The Bank has entered into transactions to purchase securities with agreement to resell and has accepted collateral that it is permitted to sell or repledge in the absence of default by the owner of the collateral. The fair value of this collateral at 31 December 2015 was €150 million (31 December 2014: €27 million).

For the purpose of disclosure of credit risk exposures, loans and advances to banks are included within other financial instruments of €35.1 billion (31 December 2014: €41.5 billion) (see note j).

f Available for sale financial assets

	31 December 2015 €m	31 December 2014 €m
Government bonds	4,917	7,531
Other debt securities		
- listed	3,295	4,257
- unlisted	1,830	3,177
Equity securities		
- unlisted	75	-
Available for sale financial assets	**10,117**	**14,965**
Amounts include:		
Due from Group undertakings	1,545	2,945

Included within unlisted debt securities are subordinated bonds issued by NAMA with a nominal value of €281 million (31 December 2014: €281 million) and a fair value of €269 million (31 December 2014: €232 million). These bonds represented 5% of the nominal consideration received for assets sold to NAMA, in 2010, with the remaining 95% received in the form of NAMA senior bonds. The subordinated bonds are not guaranteed by the State and the payment of interest and repayment of capital is dependent on the performance of NAMA. The Bank updated its valuation of the bonds to 96% of their nominal value at 31 December 2015 from 83% at 31 December 2014. The increase in the valuation has been recognised in other comprehensive income.

At 31 December 2015, available for sale financial assets with a fair value of €0.1 billion (31 December 2014: €3.6 billion) had been pledged to third parties in sale and repurchase agreements. The Bank has not derecognised any securities delivered in such sale and repurchase agreements on the balance sheet.

f Available for sale financial assets (continued)

The movement on available for sale financial assets is analysed as follows:

	31 December 2015 €m	31 December 2014 €m
At beginning of year	14,965	14,843
Revaluation, exchange and other adjustments	124	734
Additions	2,572	3,133
Redemptions	(2,814)	(703)
Sales	(2,745)	(3,079)
Reclassifications	(1,955)	-
Amortisation	(30)	37
At end of year	**10,117**	**14,965**

During the year ended 31 December 2015, the Bank sold available for sale financial assets of €2.7 billion (31 December 2014: €3.1 billion) which resulted in a transfer of €203 million from the available for sale reserve to the income statement (31 December 2014: €279 million).

During the year ended 31 December 2015, the Bank continued to review its liquid asset portfolio and related strategies. One outcome of the review was a decision to reclassify Irish Government bonds with a fair value of €1.95 billion (€1.5 billion nominal) from available for sale to held to maturity. See note g for further details.

The Bank has recognised a gain of €75 million through Other comprehensive income on the revaluation of its shareholding in Visa Europe, following the announcement during the year of Visa Inc.'s proposed acquisition of Visa Europe.

g Held to maturity financial assets

	31 December 2015 €m	31 December 2014 €m
Government bonds	1,922	-
Held to maturity financial assets	**1,922**	**-**

During the year ended 31 December 2015, the Group undertook a review of its liquid asset portfolio and related strategies. One outcome of the review was a decision to reclassify Irish Government bonds with a fair value of €1.95 billion (€1.5 billion nominal) from available for sale to held to maturity reflecting, amongst other factors, the underlying investment strategy attaching to that element of the portfolio, and the Group's positive intention and ability to hold these bonds to maturity.

Following the reclassification as held to maturity, the bonds are measured at amortised cost, with their fair value of €1.95 billion at the date of reclassification becoming their new amortised cost at that date. Subsequent changes in the fair values of the bonds are no longer recognised in other comprehensive income. The gain on the reclassified Government bonds previously recognised in other comprehensive income and accumulated in the available for sale reserve is being amortised to interest income in the income statement over the remaining life of the assets using the effective interest method. The amount amortised to interest income in 2015 amounted to €11 million (2014: €nil).

h NAMA senior bonds

	31 December 2015 €m	31 December 2014 €m
NAMA senior bonds	**1,414**	**2,374**

The Bank received as consideration for the assets transferred to NAMA in 2010 a combination of Government guaranteed bonds (NAMA senior bonds) issued by NAMA (95% of the nominal consideration), and non-guaranteed subordinated bonds issued by NAMA (5% of nominal consideration).

The interest rate on the NAMA senior bonds is six month Euribor, set semi-annually on 1 March (March 2015: 0.114%) and 1 September (September 2015: 0.039%). The contractual maturity of these bonds is 1 March 2016. NAMA may, only with the consent of the Group, settle the bonds by issuing new bonds with a maturity date of up to 364 days. On 2 February 2016, the Group agreed to accept the issuance of new bonds, maturing on 1 March 2017, in settlement of the existing debt.

During the year ended 31 December 2015, NAMA redeemed senior bonds held by the Bank with a nominal value of €968 million (year ended 31 December 2014: €1,602 million).

i Loans and advances to customers

	31 December 2015 €m	31 December 2014 €m
Loans and advances to customers	44,629	47,858
Finance leases and hire purchase receivables (see below)	663	515
	45,292	48,373
Less allowance for impairment charges on loans and advances to customers	(4,256)	(5,455)
Loans and advances to customers	**41,036**	**42,918**
Amounts include:		
Due from Group undertakings	3,596	5,778

i Loans and advances to customers (continued)

Finance leases and hire purchase receivables

Loans and advances to customers include finance leases and hire purchase receivables, which are analysed as follows:

	31 December 2015 €m	31 December 2014 €m
Gross investment in finance leases:		
Not later than 1 year	290	254
Later than 1 year and not later than 5 years	442	317
Later than 5 years	1	1
	733	572
Unearned future finance income on finance leases	(70)	(57)
Net investment in finance leases	**663**	**515**
The net investment in finance leases is analysed as follows:		
Not later than 1 year	265	231
Later than 1 year and not later than 5 years	397	283
Later than 5 years	1	1
	663	**515**

The Bank's material leasing arrangements include the provision of instalment credit and leasing finance for both consumer and business customers.

Further details on loans and advances to customers are contained in note 26 to the Consolidated financial statements.

j Credit risk exposures

Asset Quality - Loans and advances to customers

Details of the credit risk methodologies are set out on pages 95 to 100.

Risk profile of loans and advances to customers

The tables and analysis below summarise the Bank's Loans and advances to customers over the following categories: 'neither past due nor impaired', 'past due but not impaired' and 'impaired'. Exposures are before provisions for impairment.

31 December 2015 **Risk profile of loans and advances to customers (before impairment provisions)**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total loans and advances to customers €m**	**Total loans and advances to customers %**
Total loans and advances to customers						
High quality	9,371	4,273	2,626	1,103	17,373	38%
Satisfactory quality	400	11,325	1,725	205	13,655	30%
Acceptable quality	410	1,561	1,406	31	3,408	8%
Lower Quality but neither past due nor impaired	146	967	1,314	-	2,427	5%
Neither past due nor impaired	**10,327**	**18,126**	**7,071**	**1,339**	**36,863**	**81%**
Past due but not impaired	846	84	230	46	1,206	3%
Impaired	675	2,272	4,180	96	7,223	16%
Total loans and advances to customers	**11,848**	**20,482**	**11,481**	**1,481**	**45,292**	**100%**

j Credit risk exposures (continued)

31 December 2014 Risk profile of loans and advances to customers (before impairment provisions)	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total loans and advances to customers €m	Total loans and advances to customers %
Total loans and advances to customers						
High quality	9,706	3,135	1,666	972	15,479	32%
Satisfactory quality	288	12,792	1,649	210	14,939	31%
Acceptable quality	322	1,759	1,837	31	3,949	8%
Lower Quality but neither past due nor impaired	116	1,154	1,393	-	2,663	6%
Neither past due nor impaired	10,432	18,840	6,545	1,213	37,030	77%
Past due but not impaired	1,084	117	213	66	1,480	3%
Impaired	865	2,745	6,103	150	9,863	20%
Total loans and advances to customers	12,381	21,702	12,861	1,429	48,373	100%

'Past due and / or impaired'

The tables below provide an aged analysis of loans and advances to customers 'past due and / or impaired' by asset classification.

31 December 2015 **Risk profile of loans and advances to customers - past due and / or impaired**	**Residential mortgages €m**	**Non-Property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Total loans and advances to customers					
Past due up to 30 days	217	64	43	28	352
Past due 31 - 60 days	290	14	136	12	452
Past due 61 - 90 days	109	6	51	6	172
Past due greater than 90 days but not impaired	230	-	-	-	230
Past due but not impaired	**846**	**84**	**230**	**46**	**1,206**
Impaired	675	2,272	4,180	96	7,223
Total loans and advances to customers - past due and / or impaired	**1,521**	**2,356**	**4,410**	**142**	**8,429**

j Credit risk exposures (continued)

31 December 2014 Risk profile of loans and advances to customers - past due and / or impaired	Residential mortgages €m	Non-Property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Past due up to 30 days	239	80	40	43	402
Past due 31 - 60 days	342	15	144	16	517
Past due 61 - 90 days	120	22	29	7	178
Past due greater than 90 days but not impaired	383	-	-	-	383
Past due but not impaired	1,084	117	213	66	1,480
Impaired	865	2,745	6,103	150	9,863
Total loans and advances to customers - past due and / or impaired	1,949	2,862	6,316	216	11,343

'Non-performing loans'

The tables below provide an analysis of Non-performing loans and advances to customers by asset classification.

31 December 2015 **Risk profile of loans and advances to customers** **- Non-performing loans**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Total loans and advances to customers					
Probationary mortgages	672				
- Self-cure	*418*				
- Forborne	*254*				
Defaulted loans	905	2,272	4,180	96	7,453
- Past due greater than 90 days but not impaired	*230*	*-*	*-*	*-*	*230*
- Impaired	*675*	*2,272*	*4,180*	*96*	*7,223*
Total loans and advances to customers - Non-performing	**1,577**	**2,272**	**4,180**	**96**	**8,125**

31 December 2014 Risk profile of loans and advances to customers - Non-performing loans	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Total loans and advances to customers					
Probationary mortgages	693				
- Self-cure	*483*				
- Forborne	*210*				
Defaulted loans	1,248	2,745	6,103	150	10,246
- Past due greater than 90 days but not impaired	*383*	*-*	*-*	*-*	*383*
- Impaired	*865*	*2,745*	*6,103*	*150*	*9,863*
Total loans and advances to customers - Non-performing	1,941	2,745	6,103	150	10,939

j Credit risk exposures (continued)

'Impairment provisions'

The following tables show the movement in the impairment provisions on total loans and advances to customers during the year ended 31 December 2015 and 31 December 2014.

31 December 2015	**Residential mortgages €m**	**Non-SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Provision at 1 January 2015	463	1,404	3,447	141	5,455
Exchange adjustments	3	8	52	-	63
Charge / (reversal) against income statement	(48)	124	177	(18)	235
Recoveries	(3)	5	2	11	15
Provisions utilised	(61)	(354)	(1,130)	(44)	(1,589)
Other movements	11	-	65	1	77
Provision at 31 December 2015	**365**	**1,187**	**2,613**	**91**	**4,256**

31 December 2014	Residential mortgages €m	Non-SME and corporate €m	Property Property and construction €m	Consumer €m	Total €m
Provision at 1 January 2014	113	1,653	3,529	167	5,462
Exchange adjustments	4	13	55	1	73
Charge / (reversal) against income statement	(73)	151	431	6	515
Recoveries	(1)	2	3	10	14
Provisions utilised	(65)	(391)	(668)	(47)	(1,171)
Other movements	485	(24)	97	4	562
Provision at 31 December 2014	463	1,404	3,447	141	5,455

j Credit risk exposures (continued)

Asset quality - Other financial instruments

Other financial instruments include trading securities, derivative financial instruments, other financial instruments at fair value through profit or loss (excluding equity instruments), loans and advances to banks, available for sale financial assets (excluding equity instruments), held to maturity financial assets, NAMA senior bonds, interest receivable and any reinsurance assets. The table below sets out the Bank's exposure to Other financial instruments based on the gross amount before provisions for impairment.

Other financial instruments are rated using external ratings attributed to external agencies or are assigned an internal rating based on the Group's internal models, or a combination of both. Mappings to external ratings agencies in the table below are therefore indicative only.

Asset quality:	**31 December 2015**		31 December 2014	
Other financial instruments with ratings equivalent to:	**€m**	**%**	€m	%
AAA to AA-	4,970	14%	3,758	9%
A+ to A-	11,120	32%	17,659	43%
BBB+ to BBB-	17,538	50%	18,369	44%
BB+ to BB-	887	2%	1,357	3%
B+ to B-	286	1%	161	-
Lower than B-	279	1%	245	1%
Total	**35,080**	**100%**	**41,549**	**100%**
Amounts include:				
Due from Group undertakings	17,739		20,230	

k Shares in Group undertakings

	31 December 2015 €m	31 December 2014 €m
At beginning of year	4,102	4,537
Exchange adjustments	107	127
Increase in investments	653	8
Repayment of investments	(465)	-
Disposal of investments	-	(570)
Other	18	-
At end of year	**4,415**	**4,102**
Group undertakings		
of which;		
- Credit Institutions	3,657	3,430
- Others	758	672
	4,415	**4,102**

On 1 May 2015, Bank of Ireland (UK) plc repaid £300 million of preference shares and the Bank invested in £200 million of AT1 securities issued by Bank of Ireland (UK) plc.

On 26 November 2015, the Bank invested in £100 million of AT1 securities issued by Bank of Ireland (UK) plc and made a capital contribution to Bank of Ireland (UK) plc of £165 million.

k Shares in Group undertakings (continued)

The disposal of investments in 2014 in shares of Group undertakings reflects the voluntary liquidation of the Bank's investment in a company that formed part of the 2013 Capital Package structure.

The Bank's Shares in Group Undertakings are reviewed if events or circumstances indicate that impairment may have occurred, by comparing the carrying value of each investment to its recoverable amount. An impairment charge arises if the carrying value exceeds the recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use, where the value in use is the present value of the future cash flows expected to be derived from the asset. The calculation of the recoverable amount for each cash generating unit is based upon a value in use calculation that discounts expected pre-tax cash flows at an interest rate appropriate to the cash generating unit. The determination of both require the exercise of judgement. The estimation of pre-tax cash flows is sensitive to the periods for which forecasted cash flows are available and to assumptions underpinning the sustainability of those cash flows. While forecasts are compared with actual performance and external economic data, expected cash flows reflect management's view of future performance. The values assigned to key assumptions reflect past experience, performance of the business to date and management judgement.

The recoverable amount calculations performed for the significant amount of shares in Group undertakings are sensitive to changes in the following key assumptions:

Cash flow forecasts
Cash flow forecasts are based on internal management information for a period of up to five years, after which a long-term growth rate appropriate for the business is applied (see below). The next five years' cash flows are consistent with approved plans for each business.

Growth rates
Growth rates beyond five years are determined by reference to long-term economic growth rates.

Discount rate
The discount rates applied is the pre-tax weighted average cost of capital for the Bank increased to include a risk premium to reflect the specific risk profile of the cash generating unit to the extent that such risk is not already reflected in the forecast cash flows.

Certain elements within these cash flow forecasts are critical to the performance of the business. The impact of changes in these cash flows, growth rate and discount rate assumptions has been assessed in the review. No impairment was identified in the year ended 31 December 2015 (year ended 31 December 2014: €nil).

I Intangible assets

	Computer software externally purchased €m	Computer software internally generated €m	Other externally purchased intangible assets €m	Total €m
Cost				
At 1 January 2015	**92**	**953**	**81**	**1,126**
Exchange adjustments	1	8	2	11
Additions	-	166	34	200
Disposals / write-offs	(4)	(29)	(7)	(40)
At 31 December 2015	**89**	**1,098**	**110**	**1,297**
Accumulated amortisation				
At 1 January 2015	**(90)**	**(631)**	**(50)**	**(771)**
Exchange adjustments	(2)	(6)	(2)	(10)
Disposals / write-offs	4	10	7	21
Charge for the year	(1)	(65)	(9)	(75)
At 31 December 2015	**(89)**	**(692)**	**(54)**	**(835)**
Net Book Value at 31 December 2015	**-**	**406**	**56**	**462**

	Computer software externally purchased €m	Computer software internally generated €m	Other externally purchased intangible assets €m	Total €m
Cost				
At 1 January 2014	120	921	80	1,121
Exchange adjustments	2	8	3	13
Additions	-	110	-	110
Disposals / write-offs	(30)	(86)	(2)	(118)
At 31 December 2014	92	953	81	1,126
Accumulated amortisation				
At 1 January 2014	(113)	(653)	(43)	(809)
Exchange adjustments	(2)	(7)	(2)	(11)
Disposals / write-offs	30	86	2	118
Charge for the year	(5)	(57)	(7)	(69)
At 31 December 2014	(90)	(631)	(50)	(771)
Net Book Value at 31 December 2014	2	322	31	355

Intangible assets predominantly comprise computer software that is developed internally by the Bank and purchased computer software.

Impairment review - intangible assets

Intangible assets have been reviewed for any indication that impairment may have occurred. Where any such indication exists impairment has been measured by comparing the carrying value of the intangible asset to its recoverable amount. No impairment was identified in the year ended 31 December 2015 (year ended 31 December 2014: €nil).

m Property, plant and equipment

	Freehold land and buildings and long leaseholds (held at fair value) €m	Adaptations (at cost) €m	Computer and other equipment (at cost) €m	Finance lease assets (at cost) €m	Payments on accounts and assets in the course of construction (at cost) €m	Total €m
Cost or valuation						
At 1 January 2015	**122**	**176**	**463**	**19**	**6**	**786**
Exchange adjustments	2	1	9	-	-	12
Additions	-	1	4	3	15	23
Disposals / write-offs	-	-	(15)	-	-	(15)
Reversal of impairment	6	-	-	-	-	6
Revaluation recognised in other comprehensive income	11	-	-	-	-	11
Reclassification	-	6	10	-	(16)	-
Reclassification to held for sale	-	-	-	-	-	-
At 31 December 2015	**141**	**184**	**471**	**22**	**5**	**823**
Accumulated depreciation						
At 1 January 2015	**-**	**(114)**	**(360)**	**(14)**	**-**	**(488)**
Exchange adjustments	-	-	(7)	-	-	(7)
Disposals / write-offs	-	-	14	-	-	14
Charge for the year	-	(11)	(22)	(4)	-	(37)
At 31 December 2015	**-**	**(125)**	**(375)**	**(18)**	**-**	**(518)**
Net book value at 31 December 2015	**141**	**59**	**96**	**4**	**5**	**305**

Property, plant and equipment at 31 December 2015 held at fair value was €141 million (31 December 2014: €122 million). The historical cost of property, plant and equipment held at fair value at 31 December 2015 was €79 million (31 December 2014: €66 million). The net book value of property plant and equipment at 31 December 2015 held at cost less accumulated depreciation and impairment amounted to €164 million (31 December 2014: €176 million).

m Property, plant and equipment (continued)

	Freehold land and buildings and long leaseholds (held at fair value) €m	Adaptations (at cost) €m	Computer and other equipment (at cost) €m	Finance lease assets (at cost) €m	Payments on accounts and assets in the course of construction (at cost) €m	Total €m
Cost or valuation						
At 1 January 2014	123	170	466	18	6	783
Exchange adjustments	3	2	8	1	-	14
Additions	-	-	4	-	19	23
Disposals / write-offs	(7)	-	(30)	-	-	(37)
Reversal of impairment	7	-	-	-	-	7
Revaluation	1	-	-	-	-	1
Reclassification	-	4	15	-	(19)	-
Reclassification to held for sale	(5)	-	-	-	-	(5)
At 31 December 2014	122	176	463	19	6	786
Accumulated depreciation						
At 1 January 2014	-	(102)	(363)	(10)	-	(475)
Exchange adjustments	-	(1)	(6)	-	-	(7)
Disposals / write-offs	-	-	30	-	-	30
Charge for the year	-	(11)	(21)	(4)	-	(36)
At 31 December 2014	-	(114)	(360)	(14)	-	(488)
Net book value at 31 December 2014	122	62	103	5	6	298

Property
A revaluation of Group property was carried out as at 31 December 2015.

Future capital expenditure
The table below shows future capital expenditure in relation to both property, plant and equipment and intangible assets.

Future capital expenditure:	**31 December 2015 €m**	31 December 2014 €m
Contracted but not provided for in the financial statements	11	4
Authorised by the Directors but not contracted	187	153

Operating leases
The Bank leases a number of branch and office premises to carry out its business. The commercial leases typically are 25 to 35 year operating leases with 5 yearly rent reviews. The majority of the rent reviews are on an upwards only basis. Some leases also include break options. The Bank also holds a number of short-term leases for less than 10 years and a number of long-term leases at market rent with less than 135 years unexpired. On expiry of long-term leases greater than 5 years the Bank has rights of renewal in the majority of the leases.

m Property, plant and equipment (continued)

Minimum future rentals are the rentals payable under operating leases up to the next available break option where this exists or to expiry date of the lease. Both the required break option notice period and the amount of any penalty rent have been included in the amounts payable below.

The Bank has entered into a small number of sub-leases as lessor which represent properties and components of properties surplus to the Bank's own requirements.

Minimum future rentals under non-cancellable operating leases are as follows:

	Payable 31 December 2015 €m	**Receivable 31 December 2015 €m**	Payable 31 December 2014 €m	Receivable 31 December 2014 €m
Not later than 1 year	59	3	64	4
Later than 1 year and not later than 5 years	202	10	211	9
Later than 5 years	397	6	454	7

Included in the table above, at 31 December 2015, is an amount of €13 million in relation to sub-lease rental (31 December 2014: €15 million).

Finance leases

The Bank leases computer equipment under finance lease agreements. The leases range from one to five years, contain no material contingent rents or restrictions imposed by lease agreements and contain standard terms of renewal.

	At 31 December 2015			At 31 December 2014		
	Total minimum future payments €m	**Future finance charges €m**	**Present value of finance lease commitments €m**	Total minimum future payments €m	Future finance charges €m	Present value of finance lease commitments €m
Not later than 1 year	3	-	2	4	-	4
Later than 1 year not later than 5 years	2	-	2	3	-	3
Later than 5 years	-	-	-	-	-	-

The net carrying amount of the assets held under finance leases at 31 December 2015 was €4 million (31 December 2014: €6 million).

n Other assets

	31 December 2015 €m	31 December 2014 €m
Interest receivable	282	333
Sundry and other debtors	94	178
Accounts receivable and prepayments	79	83
Other assets	**455**	**594**
Other assets are analysed as follows:		
Within 1 year	434	568
After 1 year	21	26
	455	**594**

o Deposits from banks

	31 December 2015 €m	31 December 2014 €m
Deposits from banks	6,522	9,349
Securities sold under agreement to repurchase	102	2,860
- Private market repos	*102*	*1,175*
- Monetary Authorities	*-*	*1,685*
Deposits from banks	**6,624**	**12,209**
Amounts include:		
Due to Group undertakings	5,889	8,705

Deposits from banks include cash collateral of €0.4 billion (31 December 2014: €0.4 billion) received from derivative counterparties in relation to net derivative asset positions (see note d).

	31 December 2015				31 December 2014			
Monetary Authority funding	**LTRO €m**	**MRO €m**	**TLTRO €m**	**Total €m**	LTRO €m	MRO €m	TLTRO €m	Total €m
Deposits from Banks	-	-	-	-	1,040	100	545	1,685
Debt securities in issue (note q)	-	-	1,495	1,495	-	1,000	950	1,950
Total	**-**	**-**	**1,495**	**1,495**	**1,040**	**1,100**	**1,495**	**3,635**

During the year ended 31 December 2015, the Group's Main Refinancing Operations (MRO) and Long Term Refinancing Operations (LTRO) funding were repaid.

The Group's Targeted Longer-Term Refinancing Operations (TLTROs) borrowings will be repaid between September 2016 and September 2018, in line with the terms and conditions of the TLTRO facility.

p Customer accounts

	31 December 2015 €m	31 December 2014 €m
Current accounts	25,996	25,217
Term deposits and other products	18,420	21,441
Demand deposits	12,084	10,212
Customer accounts	**56,500**	**56,870**
Amounts include:		
Due to Group undertakings	5,737	7,955

Deposit accounts where a period of notice is required to make a withdrawal are classified within term deposits and other products. An analysis of the contractual maturity profile of customer accounts is set out in note ac.

Term deposits and other products include a number of term accounts that contain easy access features. These allow the customer to access a portion or all of their deposit notwithstanding that this repayment could result in financial penalty being paid by the customer. For such accounts, the portion subject to the potential early access has been classified in the 'demand' category in the liquidity risk and profile note (see page 333).

At 31 December 2015, the Bank's largest 20 customer deposits amounted to 5% (31 December 2014: 6%) of customer accounts.

Included within Term deposits and other products is €29 million (31 December 2014: €557 million) relating to sale and repurchase agreements with financial institutions who do not hold a banking licence.

q Debt securities in issue

	31 December 2015 €m	31 December 2014 €m
Bonds and medium term notes	3,453	4,377
Monetary Authorities (note o)	1,495	1,950
Other debt securities in issue	138	163
Debt securities in issue	**5,086**	**6,490**

r Other liabilities

	31 December 2015 €m	31 December 2014 €m
2009 Preference Stock	1,416	-
- 2009 Preference Stock to be redeemed	*1,300*	-
- Dividend	*116*	-
Accrued interest payable	206	321
Sundry creditors	98	130
Accruals and deferred income	44	22
Finance lease obligations	4	6
Other	239	225
Other liabilities	**2,007**	**704**
Other liabilities are analysed as follows:		
Within 1 year	1,995	631
After 1 year	12	73
	2,007	**704**

r Other liabilities (continued)

On 23 November 2015, the Bank announced that it would exercise its discretion to redeem the remaining 2009 Preference Stock with a nominal value of €1.3 billion at par on 4 January 2016 and served notice of redemption to holders of the stock. As a result a financial liability was recognised to redeem the stock within the Bank's Other liabilities at a fair value of €1.297 billion with a corresponding reduction in Stockholders' equity through the creation of a reserve for 2009 Preference Stock to be redeemed within Other reserves. A liability was also recognised in respect of the obligation to make a final dividend payment of €116 million on the redemption date of 4 January 2016. This has been deducted from Retained earnings in the year ended 31 December 2015. The full liability of €1,416 million was settled on 4 January 2016. See note y for further details.

s Provisions

	Restructuring €m	Onerous contracts €m	Legal and other €m	Total €m
As at 1 January 2015	49	4	30	83
Exchange adjustments	1	-	-	1
Charge to income statement	43	-	30	73
Transfers	-	-	-	-
Utilised during the year	(57)	-	(5)	(62)
Unused amounts reversed during the year	(8)	-	(9)	(17)
As at 31 December 2015	**28**	**4**	**46**	**78**

Of the €28 million closing provision for restructuring, €9 million relates to staff exits and €19 million relates to property and other costs.

Expected utilisation	Restructuring €m	Onerous contracts €m	Legal and other €m	Total €m
Less than 1 year	14	-	32	46
1 to 2 years	6	1	1	8
2 to 5 years	5	1	11	17
5 to 10 years	3	1	2	6
More than 10 years	-	1	-	1
Total	**28**	**4**	**46**	**78**

The Bank has recognised provisions in relation to restructuring costs, onerous contracts, legal and other. Such provisions are sensitive to a variety of factors, which vary depending on their nature. The estimation of the amounts of such provisions is judgemental because the relevant payments are due in the future and the quantity and probability of such payments is uncertain.

The methodology and the assumptions used in the calculation of provisions are reviewed regularly and, at a minimum, at each reporting date.

t Retirement benefit obligations

The Bank operates a number of defined benefit and defined contribution schemes in Ireland and overseas. The defined benefit schemes are funded and the assets of the schemes are held in separate trustee administered funds. In determining the level of contributions required to be made to each scheme and the relevant charge to the income statement the Bank has been advised by independent actuaries, Willis Towers Watson.

The most significant defined benefit scheme in the Bank is the Bank of Ireland Staff Pensions Fund (BSPF) which accounts for approximately 80% of the total liabilities across all Bank defined benefit schemes at 31 December 2015, and further details of which are provided in note 42 to the Consolidated financial statements.

Regulatory framework
Further details on the regulatory framework in which the Bank's defined benefit schemes operate together with a description of the Bank's responsibilities for governance are provided in note 42 to the Consolidated financial statements.

Pension levy
The Irish Finance (No. 2) Act 2011 introduced a stamp duty levy of 0.6% on the market value of assets under management in Irish pension funds, for the years 2011 to 2014 (inclusive). The Irish Finance (No. 2) Act 2013 gave effect to an increase in the pension levy by 0.15% to 0.75% in 2014 and introduced a further levy of 0.15% in 2015. The levy is based on scheme assets as at 30 June in each year, or as at the end of the preceding scheme financial year.

The Bank has recognised a charge of €7 million in respect of the 2015 pension levy through other comprehensive income for the year ended 31 December 2015, (31 December 2014: €31 million).

There was no recovery in respect of the Irish pension levy during 2014 or 2015 in respect of the BSPF as discussions with the Trustees of the BSPF are still ongoing. Following discussions with the Bank the Trustees of the BIF, ICS and BAPF schemes accepted that the cost of the levies from 2011 to 2015 would be borne by the relevant Republic of Ireland scheme members in the form of an adjustment to members benefits, resulting in a negative past service cost of €1 million in the income statement during the year ended 31 December 2015 (31 December 2014: €4 million).

Pensions 2013 review
During 2015, the Bank completed a review of a Group sponsored scheme under the Pensions 2013 review. The impact of this review at 31 December 2015 has been to reduce the Bank's pension deficit by €4 million. For further details see note 42 to the Consolidated financial statements.

Plan details
Details of membership of the BSPF are set out in note 42 to the Consolidated financial statements.

Expected employer and employee contributions during the year ended 31 December 2016 are €93 million and €11 million respectively.

Financial and mortality assumptions
Financial and mortality assumptions used in deriving valuations of the Bank's defined benefit obligation are the same as those used in deriving the valuation of the Group's defined benefit obligation, see note 42 to the Consolidated financial statements for further details.

Other demographic assumptions are reviewed in line with the actual experience of the Group's schemes, the impact of which was to reduce the Bank's deficit by c.€17 million at 31 December 2015 (31 December 2014: deficit reduction of €297 million).

t Retirement benefit obligations (continued)

Asset breakdown	31 December 2015 €m	31 December 2014 €m
Equities (quoted)	1,680	1,688
Liability driven Investment (unquoted)	1,413	1,489
Corporate bonds (quoted)	457	438
Property (unquoted)	315	394
Property and infrastructure (quoted)	388	202
Cash (quoted)	472	363
Government bonds (quoted)	812	794
Senior secured loans (unquoted)	226	213
Reinsurance (unquoted)	274	235
Hedge funds (unquoted)	254	230
Private equities (unquoted)	190	133
Total fair value of assets	**6,481**	**6,179**

The retirement benefit schemes' assets include Bank of Ireland stock amounting to €10 million (31 December 2014: €9 million) and property occupied by Bank of Ireland Group companies to the value of €37 million (31 December 2014: €31 million).

Sensitivity analysis for each of the key assumptions
The table below sets out how the defined benefit obligation would have been affected by changes in the significant actuarial assumptions that were reasonably possible:

Impact on defined benefit obligation	Change in assumption	Impact on actuarial liabilities increase / (decrease) 31 December 2015 €m	Impact on actuarial liabilities increase / (decrease) 31 December 2014 €m
RoI schemes			
Discount rate	0.25% decrease	302	306
RPI Inflation[1]	0.10% decrease	(73)	(73)
Salary growth	0.10% decrease	(22)	(19)
Life expectancy	1 year increase	166	164
UK schemes			
Discount rate	0.25% decrease	70	68
RPI Inflation[1]	0.10% decrease	(18)	(17)
Salary growth	0.10% decrease	(3)	(4)
Life expectancy	1 year increase	33	31

The table below sets out the estimated sensitivity of plan assets to changes in equity markets and interest rates.

Impact on plan assets	Change	Impact on plan assets increase / (decrease) 31 December 2015 €m	Impact on plan assets increase / (decrease) 31 December 2014 €m
All schemes			
Sensitivity of plan assets to a fall in global equity markets with allowance for other correlated diversified asset classes	5.00% decrease	(119)	(110)
Sensitivity of liability-matching assets to a 10bps movement in interest rates	0.10% decrease	46	43

[1] *Including other inflation-linked assumptions (CPI inflation, pension increases, salary growth).*

The sensitivity analysis is prepared by the independent actuaries calculating the defined benefit obligation under the alternative assumptions and the fair value of scheme assets using alternative asset prices.

t Retirement benefit obligations (continued)

While the defined benefit obligation table above shows the estimated impact of an individual assumption change, a change in one assumption could impact on other assumptions due to the relationship between assumptions.

Risks and risk management

Further details on the key areas of risk and the way in which the Bank has sought to manage them are included in note 42 to the Consolidated financial statements.

Amounts recognised in financial statements

The table below outlines where the Bank's defined benefit plans are recognised in the financial statements.

31 December 2015	**Irish Pension Plans €m**	**UK Pension[1] Plans €m**	**Total €m**
Balance sheet obligations	(554)	(39)	(593)
This is shown on the balance sheet as:			
Retirement benefit obligation			(607)
Retirement benefit asset			14
Total net liability			**(593)**

31 December 2014	Irish Pension Plans €m	UK Pension[1] Plans €m	Total €m
Balance sheet obligations	(780)	(42)	(822)
This is shown on the balance sheet as:			
Retirement benefit obligation			(824)
Retirement benefit asset			2
Total net liability			(822)

[1] *The UK Pension Plans include a portion of the BSPF which relates to UK members.*

t Retirement benefit obligations (continued)

The movement in the net defined benefit obligation over the year in respect of the Bank's defined benefit plans is as follows:

	Present value of obligation €m	Fair value of plan assets €m	Surplus / (deficit) of plans €m
At 1 January 2015	**(7,000)**	**6,178**	**(822)**
Impact of Pensions 2013 Review			
- Negative past service cost	4	-	4
Cost of restructuring programme			
- Past service cost	(5)	-	(5)
Other operating expenses	(233)	97	(136)
- Current service cost	*(125)*	*-*	*(125)*
- Negative past service cost	*-*	*-*	*-*
- Interest (expense) / income	*(164)*	*147*	*(17)*
- Impact of settlements	*56*	*(50)*	*6*
Return on plan assets not included in income statement	-	3	3
Change in demographic assumptions	17	-	17
Change in financial assumptions	91	-	91
Experience gains	35	-	35
Employer contributions	-	292	292
- Deficit clearing[1]	-	*205*	*205*
- Other	-	*87*	*87*
Employee contributions	(11)	11	-
Benefit payments	189	(189)	-
Changes in exchange rates	(86)	39	(47)
Transfer between Group companies	(75)	50	(25)
At 31 December 2015	**(7,074)**	**6,481**	**(593)**
The above amounts are recognised in the financial statements as follows: (charge) / credit			
Other operating expenses	(233)	97	(136)
Impact of amendments to defined benefit pension schemes, net of directly related costs	4	-	4
Cost of restructuring programme	(5)	-	(5)
Total amount recognised in income statement	**(234)**	**97**	**(137)**
Changes in financial assumptions	91	-	91
Return on plan assets not included in income statement	-	3	3
Change in demographic assumptions	17	-	17
Changes in exchange rates	(86)	39	(47)
Experience gains	35	-	35
Transfer between Group companies	(75)	50	(25)
Total remeasurements in other comprehensive income	**(18)**	**92**	**74**
Total Negative past service cost comprises			
Impact of amendments to defined benefit pension schemes			4
Impact of restructuring programme			(5)
Total			**(1)**

[1] *Deficit reducing contributions are additional contributions related to the Group's Pensions Reviews.*

t Retirement benefit obligations (continued)

	Present value of obligation €m	Fair value of plan assets €m	Surplus / (deficit) of plans €m
At 1 January 2014	(5,834)	5,095	(739)
Impact of Pensions 2013 Review			
- Negative past service cost	93	-	93
Cost of restructuring programme			
- Past service cost	(4)	-	(4)
Other operating expenses	(315)	191	(124)
- Current service cost	*(104)*	*-*	*(104)*
- Negative past service cost	*4*	*-*	*4*
- Interest (expense) / income	*(215)*	*191*	*(24)*
Return on plan assets not included in income statement	-	715	715
Change in demographic assumptions	297	-	297
Change in financial assumptions	(1,324)	-	(1,324)
Experience gains	31	-	31
Employer contributions	-	284	284
- Deficit clearing[1]	*-*	*203*	*203*
- Other	*-*	*81*	*81*
Employee contributions	(11)	11	-
Benefit payments	159	(159)	-
Changes in exchange rates	(92)	41	(51)
At 31 December 2014	(7,000)	6,178	(822)
The above amounts are recognised in the financial statements as follows: (charge) / credit			
Other operating expenses	(315)	191	(124)
Impact of amendments to defined benefit pension schemes, net of directly related costs	93	-	93
Cost of restructuring programme	(4)	-	(4)
Total amount recognised in income statement	(226)	191	(35)
Changes in financial assumptions	(1,324)	-	(1,324)
Return on plan assets not included in income statement	-	715	715
Change in demographic assumptions	297	-	297
Changes in exchange rates	(92)	41	(51)
Experience gains	31	-	31
Total remeasurements in other comprehensive income	(1,088)	756	(332)
Total Negative past service cost comprises			
Impact of amendments to defined benefit pension schemes			93
Impact of restructuring programme			(4)
Other operating expenses			4
Total			93

[1] *Deficit reducing contributions are additional contributions related to the Group's Pensions Reviews.*

u Deferred tax

	31 December 2015 €m	31 December 2014 €m
The movement on the deferred tax account is as follows:		
At beginning of year	1,358	1,375
Income statement charge for year	(159)	(50)
Losses transferred to Group undertaking	-	(7)
Available for sale financial assets - charge to other comprehensive income	(6)	(3)
Cash flow hedges - credit / (charge) to other comprehensive income	16	(20)
Revaluation / reclassification of property during year	(3)	1
Pensions	(6)	36
Other movements	21	26
At end of year	**1,221**	**1,358**
Deferred tax assets and liabilities are attributable to the following items:		
Deferred tax assets		
Unutilised tax losses	1,210	1,339
Pensions and other post retirement benefits	83	111
Accelerated capital allowances on equipment used by the Bank	25	16
Provision for loan impairment	12	15
Other temporary differences	7	2
Deferred tax assets	**1,337**	**1,483**
Deferred tax liabilities		
Available for sale reserve	(89)	(83)
Property revaluation surplus	(10)	(8)
Accelerated capital charges on finance leases	-	-
Cash flow hedge reserve	(1)	(18)
Other temporary differences	(16)	(16)
Deferred tax liabilities	**(116)**	**(125)**
Represented on the balance sheet as follows:		
Deferred tax assets	**1,221**	**1,358**

This note should be read in conjunction with note 41 to the Consolidated financial statements.

The amount of the deferred tax asset expected to be recovered after more than one year is c.€1.2 billion (31 December 2014: c.€1.3 billion). The amount of the deferred tax liability expected to be settled after more than one year c.€0.1 billion (31 December 2014: €0.1 billion).

During the year, the Bank has concluded that for the valuation of deferred tax asset purposes its brought forward trading losses within the Bank's UK branch (the 'UK branch'), will be limited by reference to a 10 year period of projected UK branch profits at the prevailing UK tax rates. Any remaining unutilised UK branch carried forward trading losses will then be recognised for deferred tax asset purposes at the Irish tax rate on the basis that it is expected that these will be utilised against future Bank profits in Ireland. This 10 year timescale is the period over which the Group believes it can conclude that it is probable that future taxable profits will be available in the UK branch. As a consequence, the carrying value of deferred tax assets relating to the UK branch tax losses reduced by €52 million as at 31 December 2015. See note 41 in the Consolidated financial statements on page 242 for further details.

Apart from this, the deferred tax asset has been recognised on the basis that it is probable it will be recovered as the Directors are satisfied that it is probable that the Bank will have future taxable profits against which the deferred tax can be utilised to the extent it is not already reversed.

v Subordinated liabilities

	31 December 2015 €m	31 December 2014 €m
Undated loan capital		
Bank of Ireland		
Stg£75 million 13⅜% Perpetual Subordinated Bonds	103	97
	103	**97**
Dated loan capital		
CAD$400 million Fixed / Floating Rate Subordinated Notes 2015	-	69
€1,000 million 10% Convertible Contingent Capital Notes 2016	994	989
€600 million Subordinated Floating Rate Notes 2017	1	1
€1,002 million 10% Fixed Rate Subordinated Notes 2020	234	239
Stg£197 million 10% Fixed Rate Subordinated Notes 2020	2	2
€250 million 10% Fixed Rates Subordinated Notes 2022	266	269
€750 million 4.25% Fixed Rate Subordinated Notes 2024	763	760
	2,260	**2,329**
Total subordinated liabilities	**2,363**	**2,426**

Further details on subordinated liabilities are contained in note 43 to the Consolidated financial statements.

w Contingent liabilities and commitments

The table below gives the contract amounts of contingent liabilities and commitments. The maximum exposure to credit loss under contingent liabilities and commitments is the contractual amount of the instrument in the event of non-performance by the other party where all counter claims, collateral or security prove worthless.

	31 December 2015 Contract amount €m	31 December 2014 Contract amount €m
Contingent liabilities		
Acceptances and endorsements	10	12
Guarantees and irrevocable letters of credit	515	580
Other contingent liabilities	240	105
	765	**697**
Commitments		
Documentary credits and short-term trade related transactions	77	113
Undrawn formal standby facilities, credit lines and other commitments to lend:		
- revocable or irrevocable with original maturity of 1 year or less	6,176	6,297[1]
- irrevocable with original maturity of over 1 year	2,530	1,734[1]
	8,783	**8,144**

[1] *The Group no longer considers certain payment facilities to represent contingent liabilities or commitments. Comparative amounts have been adjusted by €3.2 billion.*

In common with other banks, the Bank conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

An **acceptance** is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented, but reimbursement by the customer is normally immediate. **Endorsements** are residual liabilities of the Bank in respect of bills of exchange, which have been paid and subsequently rediscounted.

w Contingent liabilities and commitments (continued)

Guarantees and letters of credit are given as security to support the performance of a customer to third parties. As the Bank will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Other contingent liabilities primarily include performance bonds and are generally short-term commitments to third parties which are not directly dependent on the customers' credit worthiness. The Bank is also party to legal, regulatory and other actions arising out of its normal business operations.

At 31 December 2015, the Bank is assessing an emerging industry-wide mortgage review with respect to compliance with certain contractual and regulatory requirements in Ireland. In accordance with IAS 37.92, the Bank has not provided further information on this issue.

Documentary credits commit the Bank to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions.

x Capital stock

Authorised	**31 December 2015**	31 December 2014
Eur€	**€m**	€m
90 billion units of ordinary stock of €0.05 each	4,500	4,500
228 billion units of deferred stock of €0.01 each	2,280	2,280
100 million units of non-cumulative preference stock of €1.27 each	127	127
100 million units of undesignated preference stock of €0.25 each	25	25
3.5 billion units of non-cumulative 2009 Preference Stock of €0.01 each	35	35
Stg£	**£m**	£m
100 million units of non-cumulative preference stock of Stg£1 each	100	100
100 million units of undesignated preference stock of Stg£0.25 each	25	25
US$	**$m**	$m
8 million units of non-cumulative preference stock of US$25 each	200	200
100 million units of undesignated preference stock of US$0.25 each	25	25

Allotted and fully paid	**31 December 2015 €m**	31 December 2014 €m
32.363 billion units of €0.05 ordinary stock	1,617	1,617
91.981 billion units of deferred stock of €0.01 each	920	920
22.0 million units of treasury stock of €0.05 each	1	1
1.9 million units of non-cumulative preference stock of Stg£1 each	3	3
3.0 million units of non-cumulative preference stock of €1.27 each	4	4
1.3 billion units of non-cumulative 2009 Preference Stock of €0.01 each	13	13
	2,558	**2,558**

x Capital stock (continued)

Movements in ordinary and treasury stock (units)	Ordinary stock		Treasury stock	
	31 December 2015	31 December 2014	**31 December 2015**	31 December 2014
At beginning of year	32,363,275,073	32,363,275,073	22,008,690	22,008,690
Issue of ordinary stock	-	-	-	-
At end of year	**32,363,275,073**	**32,363,275,073**	**22,008,690**	**22,008,690**

For further information on Capital stock refer to note 45 to the Consolidated financial statements.

Treasury stock in the table above represents units of ordinary stock which have been purchased by the Bank but not stock purchased by subsidiaries (including stock held by New Ireland Assurance Company plc on behalf of policyholders).

y Redemption of 2009 Preference Stock

On 23 November 2015, the Bank announced that it would exercise its discretion to redeem the remaining 2009 Preference Stock with a nominal value of €1.3 billion at par on 4 January 2016 and served notice of redemption to holders of the stock. As a result a financial liability was recognised to redeem the stock within the Bank's Other liabilities at a fair value of €1.297 billion with a corresponding reduction in Stockholders' equity through the creation of a reserve for 2009 Preference Stock to be redeemed within Other reserves. A liability was also recognised in respect of the obligation to make a final dividend payment of €116 million on the redemption date of 4 January 2016. This has been deducted from Retained earnings in the year ended 31 December 2015.

On 4 January 2016, the Bank completed the redemption of the 2009 Preference Stock and the resulting pro-forma impact on Stockholders' equity is as set out below:

	As at 31 December 2015 €m	**Redemption on 4 January 2016 €m**	**Post-redemption €m**
Capital Stock	2,558	(13)	2,545
Stock premium account	1,125	(564)	561
Retained earnings	3,954	(727)	3,227
Other reserves	(569)	1,304	735
of which;			
- Capital redemption reserve	*-*	*7*	*7*
- Reserve for 2009 Preference Stock to be redeemed	*(1,297)*	*1,297*	*-*
Stockholders' Equity	**7,068**	**-**	**7,068**

z Other equity instruments - Additional tier 1

	31 December 2015 €m	31 December 2014 €m
Additional tier 1 securities issued	749	-
Transaction costs (net of tax)	(9)	-
Balance at the end of the year	**740**	**-**

Further details on other equity instruments - Additional tier 1 are contained in note 47 to the Consolidated financial statements.

aa Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances:

	31 December 2015 €m	31 December 2014 €m
Cash and balances at central banks	2,149	1,186
Loans and advances to banks (with an original maturity of less than 3 months)	1,621	2,123
Cash and cash equivalents	**3,770**	**3,309**

Cash and balances at central banks is made up as follows:

Cash and balances at central banks	Year ended 31 December 2015 €m	Year ended 31 December 2014 €m
United Kingdom (Bank of England)	339	-
Republic of Ireland (Central Bank of Ireland)	1,077	722
United States (Federal Reserve)	437	198
Other (cash holdings)	296	266
Total	**2,149**	**1,186**

ab Related party transactions

A number of banking transactions are entered into between the Bank and its subsidiaries in the normal course of business. These include extending secured and unsecured loans, investing in bonds issued by subsidiaries, taking of deposits and undertaking foreign currency transactions; the volumes outstanding at the year end are set out in notes d, e, f, i, o and p of the Bank financial statements.

Further information is shown in note 49 to the Consolidated financial statements.

ac Liquidity risk and profile

The tables below summarise the maturity profile of the Bank's financial liabilities (excluding those arising on derivative financial instruments) at 31 December 2015 and 31 December 2014 based on contractual undiscounted repayment obligations. The Bank does not manage liquidity risk on the basis of contractual maturity. Instead the Bank manages liquidity risk based on expected cash flows.

Customer accounts include a number of term accounts that contain easy access features. These allow the customer to access a portion or all of their deposit notwithstanding that this repayment could result in financial penalty being paid by the customer. For such accounts, the portion subject to the potential early access has been classified in the 'demand' category in the table below.

The balances will not agree directly to the Bank balance sheet as the table incorporates all cash flows, on an undiscounted basis, related to both principal and interest payments.

As at 31 December 2015 **Contractual maturity**	**Demand €m**	**Up to 3 months €m**	**3-12 months €m**	**1-5 years €m**	**Over 5 years €m**	**Total €m**
Deposits from banks	141	2,520	805	2,484	627	6,577
Drawings from Monetary Authorities (gross)	-	-	1,499	-	-	1,499
Customer accounts	38,916	10,655	4,293	2,413	380	56,657
Debt securities in issue	-	101	600	2,705	519	3,925
Subordinated liabilities	-	21	1,165	553	1,282	3,021
Contingent liabilities	765	-	-	-	-	765
Commitments	6,171	82	-	2,530	-	8,783
Total	**45,993**	**13,379**	**8,362**	**10,685**	**2,808**	**81,227**

As at 31 December 2014 Contractual maturity	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Deposits from banks	1,846	1,999	1,247	4,515	748	10,355
Drawings from Monetary Authorities (gross)	-	2,155	-	1,499	-	3,654
Customer accounts	37,442	12,181	4,864	2,349	249	57,085
Debt securities in issue	-	2,045	151	2,223	498	4,917
Subordinated liabilities	-	21	236	1,519	1,541	3,317
Contingent liabilities	697	-	-	-	-	697
Commitments	6,302	108	-	1,734	-	8,144
Total	46,287	18,509	6,498	13,839	3,036	88,169

ac Liquidity risk and profile (continued)

The tables below summarise the maturity profile of the Bank's derivative liabilities. The Bank manages liquidity risk based on expected cash flows, therefore the undiscounted cash flows payable on derivatives liabilities held with hedging intent are classified according to their contractual maturity, while derivatives held with trading intent have been included at fair value in the 'demand' time bucket.

As at 31 December 2015 **Derivative financial instruments**	**Demand** **€m**	**Up to 3 months** **€m**	**3-12 months** **€m**	**1-5 years** **€m**	**Over 5 years** **€m**	**Total** **€m**
Derivatives held with hedging intent						
Gross settled derivative liabilities - outflows	-	3,011	3,866	1,941	11	8,829
Gross settled derivative liabilities - inflows	-	(2,680)	(3,498)	(1,833)	(5)	(8,016)
Gross settled derivative liabilities - net flows	-	331	368	108	6	813
Net settled derivative liabilities	-	157	393	965	435	1,950
Total derivatives held with hedging intent	**-**	**488**	**761**	**1,073**	**441**	**2,763**
Derivative liabilities held with trading intent	899	-	-	-	-	899
Total derivative cash flows	**899**	**488**	**761**	**1,073**	**441**	**3,662**

As at 31 December 2014 Derivative financial instruments	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Derivatives held with hedging intent						
Gross settled derivative liabilities - outflows	-	4,349	1,549	6,278	102	12,278
Gross settled derivative liabilities - inflows	-	(4,062)	(1,452)	(5,922)	(89)	(11,525)
Gross settled derivative liabilities - net flows	-	287	97	356	13	753
Net settled derivative liabilities	-	181	429	1,208	545	2,363
Total derivatives held with hedging intent	-	468	526	1,564	558	3,116
Derivative liabilities held with trading intent	953	-	-	-	-	953
Total derivative cash flows	953	468	526	1,564	558	4,069

ad Measurement basis of financial assets and financial liabilities

The table below analyses the carrying amounts of the financial assets and financial liabilities by accounting treatment and by balance sheet heading.

	At fair value through profit or loss			At fair value through other comprehensive income			
31 December 2015	**Derivatives designated as fair value hedging instruments €m**	**Held for trading €m**	**Designated upon initial recognition €m**	**Available for sale €m**	**Cash flow hedge derivatives €m**	**Held at amortised cost €m**	**Total €m**
Financial assets							
Cash and balances at central banks	-	-	-	-	-	2,149	2,149
Items in the course of collection from other banks	-	-	-	-	-	93	93
Trading securities	-	3	-	-	-	-	3
Derivative financial instruments	160	2,489	-	-	384	-	3,033
Loans and advances to banks	-	-	-	-	-	18,383	18,383
Available for sale financial assets	-	-	-	10,117	-	-	10,117
Held to maturity financial assets	-	-	-	-	-	1,922	1,922
NAMA senior bonds	-	-	-	-	-	1,414	1,414
Loans and advances to customers	-	-	-	-	-	41,036	41,036
Total financial assets	**160**	**2,492**	**-**	**10,117**	**384**	**64,997**	**78,150**
Financial liabilities							
Deposits from banks	-	-	267	-	-	6,357	6,624
Customer accounts	-	-	2,804	-	-	53,696	56,500
Items in the course of transmission to other banks	-	-	-	-	-	138	138
Derivative financial instruments	385	2,749	-	-	658	-	3,792
Debt securities in issue	-	-	381	-	-	4,705	5,086
Subordinated liabilities	-	-	-	-	-	2,363	2,363
Total financial liabilities	**385**	**2,749**	**3,452**	**-**	**658**	**67,259**	**74,503**

ad Measurement basis of financial assets and financial liabilities (continued)

The table below analyses the carrying amounts of the financial assets and financial liabilities by accounting treatment and by balance sheet heading.

	At fair value through profit or loss			At fair value through Other Comprehensive income			
31 December 2014	Derivatives designated as fair value hedging instruments €m	Held for trading €m	Designated upon initial recognition €m	Available for sale €m	Cash flow hedge derivatives €m	Held at amortised cost €m	Total €m
Financial assets							
Cash and balances at central banks	-	-	-	-	-	1,186	1,186
Items in the course of collection from other banks	-	-	-	-	-	82	82
Trading securities	-	12	-	-	-	-	12
Derivative financial instruments	191	2,965	-	-	452	-	3,608
Loans and advances to banks	-	-	-	-	-	20,259	20,259
Available for sale financial assets	-	-	-	14,965	-	-	14,965
NAMA senior bonds	-	-	-	-	-	2,374	2,374
Loans and advances to customers	-	-	-	-	-	42,918	42,918
Total financial assets	191	2,977	-	14,965	452	66,819	85,404
Financial liabilities							
Deposits from banks	-	-	365	-	-	11,844	12,209
Customer accounts	-	-	2,854	-	-	54,016	56,870
Items in the course of transmission to other banks	-	-	-	-	-	93	93
Derivative financial instruments	652	3,147	-	-	499	-	4,298
Debt securities in issue	-	-	481	-	-	6,009	6,490
Subordinated liabilities	-	-	69	-	-	2,357	2,426
Total financial liabilities	652	3,147	3,769	-	499	74,319	82,386

ae Fair values of assets and liabilities

This note should be read in conjunction with note 55 to the Consolidated financial statements.

Fair value hierarchy

The following tables show, the Bank's assets and liabilities that are recognised and subsequently measured at fair value and their classification within a three-level fair value hierarchy.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

31 December 2015	Quoted prices in active market Level 1 €m	Valuation techniques observable inputs Level 2 €m	Valuation techniques unobservable inputs Level 3 €m	Total €m
Financial assets held at fair value				
Trading securities	3	-	-	3
Derivative financial instruments	1	2,868	164	3,033
AFS financial assets	8,175	306	1,636	10,117
Non-financial assets held at fair value				
Property held at fair value	-	-	141	141
	8,179	**3,174**	**1,941**	**13,294**
Financial liabilities held at fair value				
Deposits from banks	-	267	-	267
Customer accounts	-	2,804	-	2,804
Derivative financial instruments	1	3,786	5	3,792
Debt securities in issue	-	-	381	381
	1	**6,857**	**386**	**7,244**
Fair value of financial assets at amortised cost				
Loans and advances to banks	-	18,426	-	18,426
Loans and advances to customers	-	-	38,180	38,180
NAMA senior bonds	-	1,422	-	1,422
Held to maturity financial assets	1,887	-	-	1,887
Fair value of financial liabilities at amortised cost				
Deposits from banks	-	6,357	-	6,357
Customer accounts	-	53,703	-	53,703
Debt securities in issue	3,127	1,627	-	4,754
2009 Preference Stock and dividend	-	1,416	-	1,416
Subordinated liabilities	-	2,411	124	2,535

ae Fair values of assets and liabilities (continued)

31 December 2014	Quoted prices in active market Level 1 €m	Valuation techniques observable inputs Level 2 €m	Valuation techniques unobservable inputs Level 3 €m	Total €m
Financial assets held at fair value				
Trading securities	12	-	-	12
Derivative financial instruments	-	3,400	208	3,608
AFS financial assets	11,787	-	3,178	14,965
Non-financial assets held at fair value				
Property held at fair value	-	-	122	122
	11,799	3,400	3,508	18,707
Financial liabilities held at fair value				
Deposits from banks	-	365	-	365
Customer accounts	-	2,852	2	2,854
Derivative financial instruments	-	4,286	12	4,298
Debt securities in issue	-	-	481	481
Subordinated liabilities	-	-	69	69
	-	7,503	564	8,067
Fair value of financial assets at amortised cost				
Loans and advances to banks	-	20,305	-	20,305
Loans and advances to customers	-	-	39,220	39,220
NAMA senior bonds	-	2,389	-	2,389
Fair value of financial liabilities at amortised cost				
Deposits from banks	-	11,844	-	11,844
Customer accounts	-	54,140	-	54,140
Debt securities in issue	3,839	2,227	-	6,066
Subordinated liabilities	-	2,515	4	2,519

ae Fair values of assets and liabilities (continued)

Movements in level 3 assets

31 December 2015	Derivative financial instruments €m	Available for sale financial assets €m	Property held at fair value €m	Total €m
Opening balance	208	3,178	127	3,513
Exchange adjustment	8	-	2	10
Total gains or losses in:				
Profit or loss				
- Net trading income / (expense)	(39)	-	-	(39)
- Reversal of impairment charges	-	-	3	3
- Interest income	-	14	-	14
- Other operating income	-	30	-	30
- Revaluation	-	-	5	5
Other comprehensive income	-	98	9	107
Additions	-	15	-	15
Disposals	(27)	(30)	(5)	(62)
Redemptions	-	(1,400)	-	(1,400)
Transfers out of level 3				
- from level 3 to level 2	(36)	(269)	-	(305)
Transfers into level 3				
- from level 2 to level 3	50	-	-	50
Closing balance	**164**	**1,636**	**141**	**1,941**
Total gains / (losses) for the year included in profit or loss for level 3 assets at the end of the reporting year				
- Net trading income / (expense)	(57)	-	-	(57)
- Interest income	-	16	-	16
- Other operating income	-	-	5	5
- Reversal of impairment charges	-	-	3	3

The transfer from level 3 to level 2 arose as result of the availability of observable inputs at 31 December 2015 which were unavailable at 31 December 2014.

The transfer from level 2 to level 3 arose as a result of the unobservable inputs becoming significant to the fair value measurement of these assets.

There were no transfers between level 1 and level 2.

ae Fair values of assets and liabilities (continued)

Movements in level 3 assets

31 December 2014	Derivative financial instruments €m	Available for sale financial assets €m	Property held at fair value €m	Total €m
Opening balance	350	135	123	608
Exchange adjustment	10	-	3	13
Total gains or losses in:				
Profit or loss				
- Net trading income / (expense)	11	-	-	11
- Reversal of impairment charges	-	55	7	62
- Interest income	-	25	-	25
Other comprehensive income	-	21	1	22
Disposals	(69)	-	(7)	(76)
Redemptions	(20)	(2)	-	(22)
Transfers out of level 3				
- from level 3 to level 2	(83)	-	-	(83)
- from level 3 to level 1	-	(1)	-	(1)
Transfers into level 3				
- from level 1 to level 3	-	2,945	-	2,945
- from level 2 to level 3	9	-	-	9
Closing balance	208	3,178	127[1]	3,513
Total gains / (losses) for the year included in profit or loss for level 3 assets at the end of the reporting year				
- Net trading income / (expense)	154	-	-	154
- Interest income	-	25	-	25
- Reversal of impairment charges	-	70	7	77

[1] *At 31 December 2014, investment property includes a held for sale balance of €5 million for Bank of Ireland (UK) plc (a wholly owned subsidiary of the Group).*

The transfer from level 3 to level 2 arose as result of the availability of observable inputs at 31 December 2014 which were unavailable at 31 December 2013 or as a result of unobservable inputs becoming less significant to the fair value measurement of these assets.

The transfer from level 3 to level 1 arose as a result of the availability of a quoted price at 31 December 2014 which was unavailable at 31 December 2013.

The transfer from level 1 to level 3 arose as a result of the unavailability of a level 1 pricing source at 31 December 2014.

The transfer from level 2 to level 3 arose as a result of the unobservable inputs becoming significant to the fair value measurement of these assets.

There were no transfers between level 1 and level 2.

ae Fair values of assets and liabilities (continued)

Movements in level 3 liabilities **31 December 2015**	**Customers accounts €m**	**Derivative financial instruments €m**	**Debt securities in issue €m**	**Subordinated liabilities €m**	**Total €m**
Opening balance	2	12	481	69	564
Exchange adjustments	-	-	-	7	7
Total gains or losses in:					
Profit or loss					
- Net trading income / (expense)	-	6	5	1	12
Redemptions and maturities	-	(10)	(105)	(77)	(192)
Transfers out of level 3					
- from level 3 to level 2	(2)	(3)	-	-	(5)
Closing balance	**-**	**5**	**381**	**-**	**386**
Total gains / (losses) for the year included in profit or loss for level 3 liabilities held at the end of the reporting year					
- Net trading income / (expense)	-	(2)	(17)	-	(19)

The transfers from level 3 to level 2 arose due to unobservable inputs becoming less significant to the fair value measurement of these liabilities.

There were no transfers between levels 1 and 2.

Movements in level 3 liabilities 31 December 2014	Customers accounts €m	Derivative financial instruments €m	Debt securities in issue €m	Subordinated liabilities €m	Total €m
Opening balance	119	20	519	63	721
Exchange adjustments	-	-	-	8	8
Total gains or losses in:					
Profit or loss					
- Net trading income / (expense)	5	7	40	(2)	50
Additions	18	1	-	-	19
Redemptions and maturities	-	(8)	(78)	-	(86)
Transfers out of level 3					
- from level 3 to level 2	(140)	(8)	-	-	(148)
Closing balance	2	12	481	69	564
Total gains / (losses) for the year included in profit or loss for level 3 liabilities held at the end of the reporting year					
- Net trading income / (expense)	-	(10)	(51)	2	(59)

The transfers from level 3 to level 2 arose due to the availability of observable inputs at 31 December 2014 which were unavailable at 31 December 2013.

There were no transfers between levels 1 and 2.

ae Fair values of assets and liabilities (continued)

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Level 3 assets	Valuation technique	Unobservable input	Fair value 31 December 2015 €m	Fair value 31 December 2014 €m	Range 31 December 2015 %	Range 31 December 2014 %
Derivative financial assets	Discounted cash flow	Credit spread[1]	164	208	0% - 4%	0% - 4%
	Option pricing model	Credit spread[1]			0% - 4%	0% - 4%
AFS financial assets	Discounted cash flow	Discount rate[2]	1,636	3,178	Third party pricing	10% - 13%
	Vendor valuations	EBITDA multiple[3]			Third party pricing	Third party pricing
		Liquidity factor			Third party pricing	Third party pricing
Property held at fair value	Market comparable property transactions	Property valuation assumptions	141	127	Third party pricing	Third party pricing

Level 3 liabilities	Valuation technique	Unobservable input	Fair value 31 December 2015 €m	Fair value 31 December 2014 €m	Range 31 December 2015 %	Range 31 December 2014 %
Customer accounts	Discounted cash flow	Credit spread[1]	-	2	-	0% - 4%
Derivative financial liabilities	Discounted cash flow	Credit spread[1]	5	12	0% - 4%	0% - 4%
	Option pricing model	Credit spread[1]			Third party pricing	Third party pricing
Debt securities in issue	Discounted cash flow	Credit spread[1]	381	481	0% - 4%	0% - 4%
Subordinated liabilities	Market comparable companies	Credit spread[1]	-	69	-	Third party pricing

[1] *The credit spread represents the range of credit spreads that market participants would use in valuing these contracts.*
[2] *The discount rate represents a range of discount rates that market participants would use in valuing these investments.*
[3] *The Bank's multiples represent multiples that market participants would use in valuing these investments.*

Note: 100 basis points = 1%

ae Fair values of assets and liabilities (continued)

The carrying amount and the fair value of the Bank's financial assets and liabilities which are carried at amortised cost, are set out in the table below. Items where the carrying amount is a reasonable approximation of fair value are not included, as permitted by IFRS 7.

	31 December 2015		31 December 2014	
	Carrying amount €m	**Fair values €m**	Carrying amount €m	Fair values €m
Non-trading financial instruments				
Assets				
Loans and advances to banks	18,383	18,426	20,259	20,305
Loans and advances to customers	41,036	38,180	42,918	39,220
NAMA senior bonds	1,414	1,421	2,374	2,389
Held to maturity financial assets	1,922	1,887	-	-
Liabilities				
Deposits from banks	6,357	6,357	11,844	11,844
Customer accounts	53,696	53,703	54,016	54,140
Debt securities in issue	4,705	4,754	6,009	6,066
2009 Preference Stock and dividend	1,416	1,416	-	-
Subordinated liabilities	2,363	2,535	2,357	2,519

af Transferred financial assets

The Bank has transferred certain financial assets that are not derecognised from the Bank's balance sheet. Such arrangements are securitisations and sale or repurchase agreements. The Bank is exposed to substantially all risks and rewards including Credit & Market Risk associated with the transferred assets.

31 December 2015 Categories	**Carrying amount of transferred assets €m**	**Carrying amount of associated liabilities[1] €m**	**Fair value of transferred assets €m**	**Fair value of associated liabilities[1] €m**	**Net fair value position €m**
Securitisation					
Loans and receivables					
Residential mortgages book (Brunel SPE) - Including buybacks[2]	1,109	1,307	1,029	1,211	(182)
Irish Residential mortgages (Kildare SPE)[2]	1,213	1,253	1,025	1,115	(90)
Sale and Repurchase					
Available for sale financial assets[3]	139	131	n/a	n/a	n/a

Description of the relationship between the transferred assets and the associated liabilities, including the restrictions on the entity's use of those assets:

1. *For the purposes of this disclosure, associated liabilities include liabilities issued by securitisation SPEs, held by the Bank.*
2. *For each securitisation the relevant loan book / pool is ring-fenced whereby the cash flows associated with these assets can only be used to repay the related notes holders plus associated issuance fees / costs.*
3. *Assets sold subject to repurchase agreements are retained on the balance sheet and reclassified as pledged assets when the transferee has the right by contract to sell or repledge the collateral; the counterparty liability is included in deposits by banks or customer accounts, as appropriate. The difference between the original sale price of the bonds and the repurchase price is the repo rate.*

n/a: Not applicable as arrangement has recourse to assets other than the transferred assets.

af Transferred financial assets (continued)

31 December 2014 Categories	Carrying amount of transferred assets €m	Carrying amount of associated liabilities[1] €m	Fair value of transferred assets €m	Fair value of associated liabilities[1] €m	Net fair value position €m
Securitisation					
Loans and receivables					
Residential mortgages book (Brunel SPE) - Including buybacks[2]	1,256	1,508	1,149	1,448	(299)
Irish Residential mortgages (Kildare SPE)[2]	1,315	1,368	1,092	1,243	(151)
Sale and Repurchase					
Available for sale financial assets[3]	3,566	3,233	n/a	n/a	n/a

Description of the relationship between the transferred assets and the associated liabilities, including the restrictions on the entity's use of those assets:
[1] *For the purposes of this disclosure, associated liabilities include liabilities issued by securitisation SPEs, held by the Bank.*
[2] *For each securitisation the relevant loan book / pool is ring-fenced whereby the cash flows associated with these assets can only be used to repay the related notes holders plus associated issuance fees / costs.*
[3] *Assets sold subject to repurchase agreements are retained on the balance sheet and reclassified as pledged assets when the transferee has the right by contract to sell or repledge the collateral; the counterparty liability is included in deposits by banks or customer accounts, as appropriate. The difference between the original sale price of the bonds and the repurchase price is the repo rate.*
n/a: Not applicable as arrangement has recourse to assets other than the transferred assets.

The Bank has not entered into any agreements on the sale of assets that entail the Bank's continuing involvement in derecognised financial assets.

ag Offsetting financial assets and liabilities

The following tables sets out the effect or potential effect of netting arrangements on the Bank's financial position. This includes the effect or potential effect of rights of set-off associated with the Bank's recognised financial assets and recognised financial liabilities that are currently subject to an enforceable master netting arrangement, irrespective of whether they are set off in accordance with paragraph 42 of IAS 32.

As at 31 December 2015 **Assets**	**Gross amounts of recognised financial assets** **€m**	**Gross amounts of recognised financial liabilities set off in the balance sheet** **€m**	**Net amounts of financial assets presented in the balance sheet** **€m**	**Related amounts not set off in the balance sheet** **Financial[1] instruments** **€m**	 **Cash[2] collateral received** **€m**	**Net amount** **€m**
Derivative financial assets	2,620	-	2,620	(2,067)	(383)	170
Loans and advances to customers	417	(417)	-	-	-	-
Total	**3,037**	**(417)**	**2,620**	**(2,067)**	**(383)**	**170**

[1] *Amounts of €2,067 million represent recognised derivatives liabilities at fair value that do not meet the offsetting criteria.*
[2] *Cash collateral amounts disclosed reflect the maximum collateral available for offset. Cash collateral received is reported within deposits from banks (see note o).*

ag Offsetting financial assets and liabilities (continued)

The following financial liabilities are subject to offsetting, enforceable master netting arrangements.

31 December 2015 **Liabilities**	**Gross amounts of recognised financial liabilities €m**	**Gross amounts of recognised financial assets set off in the balance sheet €m**	**Net amounts of financial liabilities presented in the balance sheet €m**	**Related amounts not set off in the balance sheet** **Financial[1] instruments €m**	**Cash[2] collateral pledged €m**	**Net amount €m**
Derivative financial liabilities	3,705	-	3,705	(2,067)	(1,492)	146
Customer deposits	417	(417)	-	-	-	-
Total	**4,122**	**(417)**	**3,705**	**(2,067)**	**(1,492)**	**146**

[1] *Amounts of €2,067 million represent recognised derivatives assets at fair value that do not meet the offsetting criteria.*
[2] *Cash collateral amounts disclosed reflect the maximum collateral available for offset.*

As at 31 December 2014 Assets	Gross amounts of recognised financial assets €m	Gross amounts of recognised financial liabilities set off in the balance sheet €m	Net amounts of financial assets presented in the balance sheet €m	Related amounts not set off in the balance sheet Financial[1] instruments €m	Cash[2] collateral received €m	Net amount €m
Derivative financial assets	2,909	-	2,909	(2,496)	(336)	77
Loans and advances to customers	443	(443)	-	-	-	-
Total	3,352	(443)	2,909	(2,496)	(366)	77

[1] *Amounts of €2,496 million represent recognised derivatives liabilities at fair value that do not meet the offsetting criteria.*
[2] *Cash collateral amounts disclosed reflect the maximum collateral available for offset. Cash collateral received is reported within deposits from banks (see note o).*

31 December 2014 Liabilities	Gross amounts of recognised financial liabilities €m	Gross amounts of recognised financial assets set off in the balance sheet €m	Net amounts of financial liabilities presented in the balance sheet €m	Related amounts not set off in the balance sheet Financial[1] instruments €m	Cash[2] collateral pledged €m	Net amount €m
Derivative financial liabilities	4,127	-	4,127	(2,496)	(1,446)	185
Customer deposits	725	(525)	200	-	-	200
Total	4,852	(525)	4,327	(2,496)	(1,446)	385

[1] *Amounts of €2,496 million represent recognised derivatives assets at fair value that do not meet the offsetting criteria.*
[2] *Cash collateral amounts disclosed reflect the maximum collateral available for offset.*

The ‘Financial Instruments’ column identifies financial assets and liabilities that are subject to set off under netting agreements such as ISDA Master agreements. The agreement between the Bank and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

ah Other

(a) These financial statements are financial statements of the Bank only and are prepared in accordance with Section 290 (1) of the Companies Act 2014.

(b) The Bank is domiciled in Ireland.

(c) The Bank is a corporation established in Ireland in 1783 under Royal Charter with a primary listing on the Irish Stock Exchange and a premium listing on the London Stock Exchange.

(d) As at 31 December 2015, the Bank has provided a guarantee under Section 357 of the Companies Act, 2014 for the following companies:

Bank of Ireland Asset Management (US) Limited, Bank of Ireland Car Loans Limited (in Members' Voluntary Liquidation), Bank of Ireland Commercial Finance Limited, Bank of Ireland Finance Limited, Bank of Ireland Insurance & Investments Limited, Bank of Ireland Insurance Management Services Limited, Bank of Ireland Insurance Services Limited, Bank of Ireland International Finance Limited, Bank of Ireland Leasing Limited, Bank of Ireland Life Holdings Limited, Bank of Ireland Nominee 1 Limited, Bank of Ireland Nominee 3 Limited, Bank of Ireland Pensions Trust, Bank of Ireland Private Banking Limited, Bank of Ireland Treasury and International Banking Limited, Bank of Ireland Trust Services Limited, Bank of Ireland Unit Managers Limited, BIAM Holdings, BoI Capital Holdings Limited, BoI-IF Services No. 5 Company, BoI-IF Services No. 10 Company, Bushfield Leasing Limited, C and I (Division) Holdings, Centurion Card Services Limited, Central Pensions Administration Limited, December Leasing Limited, Edendork Leasing Limited, First Rate Enterprises Limited, Florenville Limited, Hibernian Bank Limited, Hill Wilson Secretarial Limited, IBI Corporate Finance Limited, IBI Property Nominees Limited, Kilkenny Promotion Project Limited, Lansdowne Leasing, Nerling Limited, Nestland Limited, Professional Audit Services Limited, Rolmur, Scribe Holdings Limited, Tockhill, The Investment Bank of Ireland Limited, The National Bank of Ireland Limited, Trustcase Limited, Tustin Limited.

(e) The Governor and Company of the Bank of Ireland (the Bank) entered into a framework agreement on 28 June 2012 with the Central Bank of Ireland (the Central Bank) under which the Bank may issue mortgage-backed euro promissory notes to the Central Bank as security for Eurosystem credit operations. This framework agreement was amended by way of an amendment agreement dated 15 May 2014 between the Central Bank of Ireland and the Bank. These obligations under the mortgage-backed euro promissory notes are secured by way of two deeds of floating charge and a floating charge which are in each case over all the Bank's right, title, interest and benefit, present and future in and to certain mortgages and related loans forming part of a mortgage pool and the benefit of all related security (one deed of floating charge relates to property in Northern Ireland and the other deed of floating charge relates to property in England and Wales; the floating charge relates to property in Scotland). Each of the three charges contains a provision whereby during the subsistence of the security constituted thereby, otherwise than with the prior written consent of the Central Bank, the Bank shall:
(i) not create or attempt to create or permit to arise or subsist any encumbrance on or over the property charged thereunder or any part thereof; or
(ii) not, otherwise than in the ordinary course of business, sell, transfer, lend or otherwise dispose of the property charged thereunder or any part thereof or redeem, agree to redeem or accept repayment in whole or in part of any loan or attempt or agree to do so whether by means of one or a number of transactions related or not and whether at one time or over a period of time.

The Bank entered into a framework agreement on 22 September 2014 with the Central Bank of Ireland (the 'Central Bank') under which the Bank may issue mortgage-backed € promissory notes to the Central Bank as security for Eurosystem credit operations. These obligations are secured by way of a deed of floating charge over all the Bank's right, title, interest and benefit , present and future in and to certain mortgages and related loans forming part of a mortgage pool and the benefit of all related security. The deed of floating charge contains a provision whereby during the subsistence of the security constituted thereby , otherwise than with the prior written consent of the Central Bank, the Bank shall
(i) not create or attempt to create or permit to arise or subsist any encumbrance on or over the property charged thereunder or any part thereof; or
(ii) not, otherwise than in the ordinary course of business, sell, transfer, lend or otherwise dispose of the property charged thereunder or any part thereof or redeem, agree to redeem or accept repayment in whole or in part of any loan or attempt or agree to do so whether by means of one or a number of transactions related or not and whether at one time or over a period of time.

ah Other (continued)

(f) The Bank entered into a framework agreement in respect of Eurosystem Operations secured over collateral pool assets (the ‘Pooling Agreement’) with the Central Bank of Ireland (the ‘Central Bank’), together with a related Deed of Charge (the ‘Pooling Deed of Charge’) on 15 May 2014. Pursuant to the Pooling Agreement, the Bank may participate in Eurosystem operations (as defined therein) which, inter alia, provides for access to the Eurosystem’s main refinancing operations (the ‘MRO’). The Pooling Agreement and the Pooling Deed of Charge replaced the master repurchase agreement previously used by the Bank to access the MRO. As more fully described in the Pooling Deed of Charge, the Bank’s obligations pursuant to the Pooling Agreement are secured by way of: (i) a first fixed charge over the Bank’s right, title, interest and benefit, present and future in and to eligible assets (as identified as such by the Central Bank) which comprise present and future rights, title, interest, claims and benefits of the Bank at that time in and to, or in connection with, a collateral account (the ‘Collateral Account’) and eligible assets which stand to the credit of the Collateral Account (together, the ‘Collateral Account Assets’); and (ii) a floating charge over the Bank’s right, title, interest and benefit, present and future in and to other eligible assets of the Bank.

The Pooling Deed of Charge provides that the Bank may not, save with the prior written consent of the Central Bank or as permitted by the Pooling Agreement, until its obligations under the Pooling Agreement have been discharged in full:

(i) receive, withdraw, redeem or otherwise deal with the Collateral Account Assets;
(ii) assign, transfer or otherwise dispose of all or any of its rights, title interest or benefit in or to the Collateral Account Assets;
(iii) give any instructions in respect of the Collateral Account Assets;
(iv) create or attempt to create or permit to arise or subsist any encumbrance on or over the property charged under the Pooling Deed of Charge;
(v) sell, transfer, lend or otherwise dispose of or deal in the assets subject to the fixed charge under the Pooling Deed of Charge or any part thereof or, in each case, attempt or agree to do so whether by means of one or a number of transactions related or not and whether at one time or over a period of time; and
(vi) otherwise than in the ordinary course of business (and provided that (i) no event of default or event that, with the giving of notice or the lapse of time or both would constitute an event of default has occurred (ii) the floating charge has not crystallised without being reconverted into, and continuing in effect as, a floating charge), sell, transfer, lend or otherwise dispose of or deal in the assets subject to the floating charge under the Pooling Deed of Charge or any part thereof, or redeem, agree to redeem or accept repayment in whole or in part of any credit claim subject to the floating charge, or enforce or release any related security or, in each case, attempt or agree to do so whether by means of one or a number of transactions related or not and whether at one time or over a period of time.

(g) Bank income statement

In accordance with Section 304 of Companies Act 2014, the Bank is availing of the exemption of presenting its individual income statement to the Annual General Court (AGC) and from filing it with the Registrar of Companies. The Bank's profit after tax for the year ended 31 December 2015 determined in accordance with IFRS is €424 million (31 December 2014: €739 million).

Information in relation to the Bank’s principal subsidiaries is contained in note 51 to the Consolidated financial statements.

Post balance sheet events are shown in note 59 to the Consolidated financial statements.

Other Information

Group exposures to selected countries

The information in Group exposures to selected countries forms an integral part of the audited financial statements as described in the Basis of preparation on page 176.

Set out in the tables below is a summary of the Group's exposure to sovereign debt and other country exposures for selected balance sheet line items as at 31 December 2015. For these line items, further information on the Group's exposures to countries that have a Standard & Poor's credit rating of AA or below where the Group has an exposure of over €250 million (being Ireland, Spain, France, Belgium and Italy), is set out on pages 351 to 357.

31 December 2015 **Assets**	**Ireland €m**	**United Kingdom €m**	**United States €m**	**Spain €m**	**France €m**	**Belgium €m**	**Italy €m**	**Other[3] €m**	**Total €m**
Cash and balances at central banks	1,077	4,793	437	-	-	-	-	296	6,603
Trading securities	-	-	-	-	3	-	-	-	3
Derivative financial instruments[1] (net)	127	382	12	11	4	-	-	48	584
Other financial assets at fair value through profit or loss[2]	548	40	55	11	506	111	57	331	1,659
Loans and advances to banks[2]	341	2,725	15	-	617	-	-	539	4,237
Available for sale financial assets	3,358	1,146	73	845	1,310	502	322	2,572	10,128
Held to maturity financial assets	1,922	-	-	-	-	-	-	-	1,922
NAMA senior bonds	1,414	-	-	-	-	-	-	-	1,414
Total	**8,787**	**9,086**	**592**	**867**	**2,440**	**613**	**379**	**3,786**	**26,550**

31 December 2014 Assets	Ireland €m	United Kingdom €m	United States €m	Spain €m	France €m	Belgium €m	Italy €m	Other[4] €m	Total €m
Cash and balances at central banks	722	3,805	198	-	-	-	-	266	4,991
Trading securities	12	-	-	-	-	-	-	-	12
Derivative financial instruments[1] (net)	139	453	12	14	2	-	-	55	675
Other financial assets at fair value through profit or loss[2]	511	42	37	12	480	116	59	349	1,606
Loans and advances to banks[2]	517	2,550	259	1	580	-	-	595	4,502
Available for sale financial assets	7,599	1,359	293	968	934	87	142	2,198	13,580
NAMA senior bonds	2,374	-	-	-	-	-	-	-	2,374
Total	11,874	8,209	799	995	1,996	203	201	3,463	27,740

[1] *Net Derivative exposure is calculated after the application of master netting arrangements and associated cash collateral received.*
[2] *This excludes those assets held by the Group's life assurance business which are linked to policyholder liabilities.*
[3] *At 31 December 2015, other is primarily made up of exposures to the following countries: Netherlands: €0.4 billion, Sweden €0.3 billion, Norway: €0.2 billion, Austria: €0.2 billion, Portugal: €0.2 billion, Canada: €0.2 billion, Rest of world: €1.1 billion and Supranational institutions: €1.2 billion). Also included in other is the Group's euro cash holding in branches.*
[4] *At 31 December 2014, other is primarily made up of exposures to the following countries: Netherlands: €0.5 billion, Sweden €0.2 billion, Norway: €0.2 billion, Austria: €0.2 billion, Switzerland: €0.2 billion, Portugal: €0.2 billion and other Supranational bonds: €1.1 billion). Also included in other is the Group's euro cash holding in branches.*

Group exposures to selected countries (continued)

Set out in the following tables is more detailed analysis of the Group's exposures at 31 December 2015 by asset class:

Derivative financial instruments

31 December 2015	Ireland €m	United Kingdom €m	United States €m	Spain €m	France €m	Belgium €m	Italy €m	Other[2] €m	Total €m
Gross derivative assets									
Financial institutions	12	986	153	8	289	8	-	837	2,293
Corporate	130	571	26	9	3	-	-	32	771
Total	**142**	**1,557**	**179**	**17**	**292**	**8**	**-**	**869**	**3,064**
Net Derivative Assets[1]									
Financial institutions	5	38	-	2	1	-	-	16	62
Corporate	122	344	12	9	3	-	-	32	522
Total	**127**	**382**	**12**	**11**	**4**	**-**	**-**	**48**	**584**

31 December 2014	Ireland €m	United Kingdom €m	United States €m	Spain €m	France €m	Belgium €m	Italy €m	Other[3] €m	Total €m
Gross derivative assets									
Financial institutions	13	1,281	314	8	377	8	-	913	2,914
Corporate	147	570	12	12	2	-	-	35	778
Total	160	1,851	326	20	379	8	-	948	3,692
Net Derivative Assets[1]									
Financial institutions	-	71	-	2	-	-	-	20	93
Corporate	139	382	12	12	2	-	-	35	582
Total	139	453	12	14	2	-	-	55	675

[1] *Net Derivative Assets exposure is calculated after the application of master netting arrangements and associated cash collateral received.*
[2] *At 31 December 2015, other Net Derivative Assets exposure is primarily made up of exposures to the following countries: Canada: €23 million, Germany: €9 million, Australia: €5 million, Austria: €5 million and Netherlands: €4 million.*
[3] *At 31 December 2014, other Net Derivative Assets exposure is primarily made up of exposures to the following countries: Canada: €23 million, Germany: €10 million, Australia: €7 million, Austria: €6 million and Netherlands: €5 million.*

Group exposures to selected countries (continued)

Available for sale financial assets

31 December 2015	Ireland €m	United Kingdom €m	United States €m	Spain €m	France €m	Belgium €m	Italy €m	Other[2] €m	Total €m
Government bonds	2,750	721	2	347	780	431	318	351	5,700
Senior bank debt and other senior debt	6	-	37	3	109	-	-	1,333	1,488
Covered bonds	322	342	-	453	409	71	-	694	2,291
Subordinated debt	269[1]	11	5	-	5	-	-	17	307
Asset backed securities	11	72	29	42	7	-	4	177	342
Total	**3,358**	**1,146**	**73**	**845**	**1,310**	**502**	**322**	**2,572**	**10,128**

31 December 2014	Ireland €m	United Kingdom €m	United States €m	Spain €m	France €m	Belgium €m	Italy €m	Other[3] €m	Total €m
Government bonds	6,409	687	2	290	446	73	135	234	8,276
Senior bank debt and other senior debt	669	-	40	-	111	-	1	1,432	2,253
Covered bonds	286	529	214	628	368	14	-	491	2,530
Subordinated debt	232[1]	-	-	-	-	-	-	-	232
Asset backed securities	3	142	37	50	9	-	6	42	289
Total	7,599	1,358	293	968	934	87	142	2,199	13,580

[1] *NAMA subordinated debt of €269 million (31 December 2014: €232 million) is classified as an available for sale debt instrument (note 23).*
[2] *At 31 December 2015, other is primarily made up of exposures to the following countries: Netherlands: €0.4 billion, Norway: €0.2 billion, Sweden: €0.2 billion, Portugal: €0.2 billion, Rest of world: €0.4 billion and Supranational institutions €1.2 billion.*
[3] *At 31 December 2014, other is primarily made up of exposures to the following countries: Netherlands: €0.4 billion, Norway: €0.2 billion, Sweden: €0.2 billion, Portugal: €0.2 billion and other Supranational bonds: €1.1 billion.*

Available for sale financial assets are carried in the balance sheet at their fair value. Other than in respect of impairment, any change in fair value is treated as a movement in the AFS reserve in Stockholder's equity.

Group exposures to selected countries (continued)

Additional information on selected European countries

The tables below show the Group's exposures to countries that have a Standard & Poor's credit rating of AA or below where the Group has an exposure of over €250 million (being Ireland, Spain, France, Belgium and Italy). The maturity analysis in the tables below is based on the residual contractual maturity of the exposures (except where otherwise indicated).

Ireland

As at 31 December 2015, Ireland's credit rating from Standard & Poor's was A (31 December 2014: A). The table below shows the Group's exposure to Ireland by selected balance sheet line items:

	Carrying value							Nominal value
As at 31 December 2015	**0-3 months €m**	**3-12 months €m**	**1-2 years €m**	**2-5 years €m**	**5-10 years €m**	**Over 10 years €m**	**Total €m**	**Total €m**
Other financial assets at fair value through profit or loss[1]	109	3	-	10	164	262	548	488
- Government bonds	*6*	*3*	*-*	*4*	*145*	*262*	*420*	*352*
- Other	*103*	*-*	*-*	*6*	*19*	*-*	*128*	*136*
Loans and advances to banks[1]	231	110	-	-	-	-	341	341
Available for sale financial assets	11	269	447	1,986	645	-	3,358	2,956
- Government bonds	*-*	*269*	*271*	*1,670*	*540*	*-*	*2,750*	*2,363*
- Senior bank debt and other[2]	*11*	*-*	*176*	*316*	*105*	*-*	*608*	*593*
Held to maturity financial assets	-	-	-	-	1,922	-	1,922	1,500
NAMA senior bonds[3]	157	471	786	-	-	-	1,414	1,421
Total[4]	**508**	**853**	**1,233**	**1,996**	**2,731**	**262**	**7,583**	**6,706**

	Carrying value							Nominal value
As at 31 December 2014	0-3 months €m	3-12 months €m	1-2 years €m	2-5 years €m	5-10 years €m	Over 10 years €m	Total €m	Total €m
Other financial assets at fair value through profit or loss[1]	60	-	-	8	151	292	511	420
- Government bonds	*-*	*-*	*-*	*4*	*130*	*292*	*426*	*333*
- Other	*60*	*-*	*-*	*4*	*21*	*-*	*85*	*87*
Loans and advances to banks[1]	407	110	-	-	-	-	517	517
Available for sale financial assets	1,067	-	281	2,435	3,138	678	7,599	6,574
- Government bonds	*394*	*-*	*281*	*2,203*	*2,853*	*678*	*6,409*	*5,370*
- Senior bank debt and other[2]	*673*	*-*	*-*	*232*	*285*	*-*	*1,190*	*1,204*
NAMA senior bonds[3]	183	548	730	913	-	-	2,374	2,389
Total[4]	1,717	658	1,011	3,356	3,289	970	11,001	9,900

[1] This excludes those assets held by the Group's life assurance business which are linked to policyholder liabilities.
[2] Senior bank debt and other primarily relates to the Group's holdings of Irish Government guaranteed senior bank debt issued by Irish financial institutions.
[3] The maturity date of the NAMA senior bonds is based on their ultimate expected maturity.
[4] The Group also has a net derivative asset exposure to counterparties based in Ireland at 31 December 2015 of €127 million (31 December 2014: €139 million).

Group exposures to selected countries (continued)

Ireland (continued)

Available for sale financial assets As at 31 December 2015 Maturity profile	**0-3 months €m**	**3-12 months €m**	**1-2 years €m**	**2-5 years €m**	**5-10 years €m**	**Over 10 years €m**	**Total €m**
Nominal value	-	265	410	1,726	555	-	2,956
Fair value	11	269	447	1,986	645	-	3,358
AFS reserve (before tax)[1]	-	7	23	279	18	-	327

Available for sale financial assets As at 31 December 2014 Maturity profile	0-3 months €m	3-12 months €m	1-2 years €m	2-5 years €m	5-10 years €m	Over 10 years €m	Total €m
Nominal value	1,057	-	265	2,075	2,684	493	6,574
Fair value	1,067	-	281	2,435	3,138	678	7,599
AFS reserve (before tax)	9	-	29	304	271	26	639

[1] *Includes reserve in relation to assets reclassified as held to maturity.*

Spain

As at 31 December 2015, Spain's credit rating from Standard & Poor's was BBB (31 December 2014: BBB). The table below shows the Group's exposure to Spain by selected balance sheet line items:

	Carrying value							**Nominal Value**
As at 31 December 2015	**0-3 months €m**	**3-12 months €m**	**1-2 years €m**	**2-5 years €m**	**5-10 years €m**	**Over 10 years €m**	**Total €m**	**Total €m**
Other financial assets at fair value through profit or loss	-	-	-	8	3	-	11	11
Loans and advance to banks	-	-	-	-	-	-	-	-
Available for sale financial assets	42	43	217	291	244	8	845	751
- Government bonds	*-*	*-*	*-*	*210*	*137*	*-*	*347*	*284*
- Covered bonds and other	*42*	*43*	*217*	*81*	*107*	*8*	*498*	*467*
Total[1]	**42**	**43**	**217**	**299**	**247**	**8**	**856**	**762**

	Carrying value							Nominal Value
As at 31 December 2014	0-3 months €m	3-12 months €m	1-2 years €m	2-5 years €m	5-10 years €m	Over 10 years €m	Total €m	Total €m
Other financial assets at fair value through profit or loss	-	-	-	1	11	-	12	10
Loans and advance to banks	1	-	-	-	-	-	1	1
Available for sale financial assets	35	51	178	286	408	10	968	870
- Government bonds	*-*	*-*	*-*	*23*	*266*	*-*	*289*	*237*
- Covered bonds and other	*35*	*51*	*178*	*263*	*142*	*10*	*679*	*633*
Total[1]	36	51	178	287	419	10	981	881

[1] *The Group also has a net derivative asset exposure to counterparties based in Spain at 31 December 2015 of €11 million (31 December 2014: €14 million).*

Group exposures to selected countries (continued)

Spain (continued)

Available for sale financial assets As at 31 December 2015 Maturity profile	**0-3 months €m**	**3-12 months €m**	**1-2 years €m**	**2-5 years €m**	**5-10 years €m**	**Over 10 years €m**	**Total €m**
Nominal value	42	43	209	249	199	9	751
Fair value	42	43	217	291	244	8	845
AFS reserve (before tax)	-	-	-	12	(2)	-	10

Available for sale financial assets As at 31 December 2014 Maturity profile	0-3 months €m	3-12 months €m	1-2 years €m	2-5 years €m	5-10 years €m	Over 10 years €m	Total €m
Nominal value	35	50	171	266	338	10	870
Fair value	35	51	178	286	408	10	968
AFS reserve (before tax)	-	-	-	1	6	-	7

France

As at 31 December 2015, France's credit rating from Standard & Poor's was AA (31 December 2014: AA). The table below shows the Group's exposure to France by selected balance sheet line items:

	Carrying value							**Nominal value**
As at 31 December 2015	**0-3 months €m**	**3-12 months €m**	**1-2 years €m**	**2-5 years €m**	**5-10 years €m**	**Over 10 years €m**	**Total €m**	**Total €m**
Other financial assets at fair value through profit or loss	1	5	1	5	88	406	506	433
- Government bonds	*-*	*5*	*-*	*-*	*66*	*396*	*467*	*390*
- Other	*1*	*-*	*1*	*5*	*22*	*10*	*39*	*43*
Loans and advances to banks	597	20	-	-	-	-	617	617
Available for sale financial assets	23	82	205	255	745	-	1,310	1,205
- Government bonds	*-*	*50*	*-*	*10*	*720*	*-*	*780*	*710*
- Senior bank debt and other	*23*	*32*	*205*	*245*	*25*	*-*	*530*	*495*
Total[1]	**621**	**107**	**206**	**260**	**833**	**406**	**2,433**	**2,255**

Group exposures to selected countries (continued)

France (continued)

As at 31 December 2014	Carrying value 0-3 months €m	3-12 months €m	1-2 years €m	2-5 years €m	5-10 years €m	Over 10 years €m	Total €m	Nominal value Total €m
Other financial assets at fair value through profit or loss	-	-	-	6	31	443	480	384
- Government bonds	*-*	*-*	*-*	*-*	*-*	*431*	*431*	*340*
- Other	*-*	*-*	*-*	*6*	*31*	*12*	*49*	*44*
Loans and advances to banks	560	20	-	-	-	-	580	580
Available for sale financial assets	-	81	-	240	613	-	934	850
- Government bonds	*-*	*-*	*-*	*-*	*446*	*-*	*446*	*400*
- Senior bank debt and other	*-*	*81*	*-*	*240*	*167*	*-*	*488*	*450*
Total[1]	560	101	-	246	644	443	1,994	1,814

[1] *The Group also has a net derivative asset exposure to counterparties based in France at 31 December 2015 of €4 million (31 December 2014: €2 million).*

Available for sale financial assets As at 31 December 2015 Maturity profile	**0-3 months €m**	**3-12 months €m**	**1-2 years €m**	**2-5 years €m**	**5-10 years €m**	**Over 10 years €m**	**Total €m**
Nominal value	23	82	190	236	674	-	1,205
Fair value	23	82	205	255	745	-	1,310
AFS reserve (before tax)	-	-	-	3	10	-	13

Available for sale financial assets As at 31 December 2014 Maturity profile	0-3 months €m	3-12 months €m	1-2 years €m	2-5 years €m	5-10 years €m	Over 10 years €m	Total €m
Nominal value	-	81	-	218	551	-	850
Fair value	-	81	-	240	613	-	934
AFS reserve (before tax)	-	-	-	2	7	-	9

Group exposures to selected countries (continued)

Belgium

As at 31 December 2015, Belgium's credit rating from Standard & Poor's was AA (31 December 2014: AA). The table below shows the Group's exposure to Belgium by selected balance sheet line items:

	Carrying value							Nominal value
As at 31 December 2015	**0-3 months €m**	**3-12 months €m**	**1-2 years €m**	**2-5 years €m**	**5-10 years €m**	**Over 10 years €m**	**Total €m**	**Total €m**
Other financial assets at fair value through profit or loss	2	-	-	1	13	95	111	96
- Government bonds	*2*	*-*	*-*	*-*	*-*	*91*	*93*	*80*
- Other	*-*	*-*	*-*	*1*	*13*	*4*	*18*	*16*
Loans and advances to banks	-	-	-	-	-	-	-	-
Available for sale financial assets	-	133	-	-	369	-	502	461
- Government bonds	*-*	*77*	*-*	*-*	*354*	*-*	*431*	*390*
- Senior bank debt and other	*-*	*56*	*-*	*-*	*15*	*-*	*71*	*71*
Total	**2**	**133**	**-**	**1**	**382**	**95**	**613**	**557**

	Carrying value							Nominal value
As at 31 December 2014	0-3 months €m	3-12 months €m	1-2 years €m	2-5 years €m	5-10 years €m	Over 10 years €m	Total €m	Total €m
Other financial assets at fair value through profit or loss	-	-	-	1	16	99	116	99
- Government bonds	*-*	*-*	*-*	*-*	*-*	*95*	*95*	*80*
- Other	*-*	*-*	*-*	*1*	*16*	*4*	*21*	*19*
Loans and advances to banks	-	-	-	-	-	-	-	-
Available for sale financial assets	-	-	14	-	73	-	87	79
- Government bonds	*-*	*-*	*-*	*-*	*73*	*-*	*73*	*65*
- Senior bank debt and other	*-*	*-*	*14*	*-*	*-*	*-*	*14*	*14*
Total	-	-	14	1	89	99	203	178

Group exposures to selected countries (continued)

Belgium (continued)

Available for sale financial assets As at 31 December 2015 Maturity profile	**0-3 months €m**	**3-12 months €m**	**1-2 years €m**	**2-5 years €m**	**5-10 years €m**	**Over 10 years €m**	**Total €m**
Nominal value	-	131	-	-	330	-	461
Fair value	-	133	-	-	369	-	502
AFS reserve (before tax)	-	-	-	-	1	-	1

Available for sale financial assets As at 31 December 2014 Maturity profile	0-3 months €m	3-12 months €m	1-2 years €m	2-5 years €m	5-10 years €m	Over 10 years €m	Total €m
Nominal value	-	-	14	-	65	-	79
Fair value	-	-	14	-	73	-	87
AFS reserve (before tax)	-	-	-	-	2	-	2

Italy

As at 31 December 2015, Italy's credit rating from Standard & Poor's was BBB (31 December 2014: BBB). The table below shows the Group's exposure to Italy by selected balance sheet line items:

	Carrying value							**Nominal value**
As at 31 December 2015	**0-3 months €m**	**3-12 months €m**	**1-2 years €m**	**2-5 years €m**	**5-10 years €m**	**Over 10 years €m**	**Total €m**	**Total €m**
Other financial assets at fair value through profit or loss	-	-	1	12	2	42	57	53
- Government bonds	*-*	*-*	*-*	*-*	*-*	*41*	*41*	*30*
- Other	*-*	*-*	*1*	*12*	*2*	*1*	*16*	*23*
Loans and advances to banks	-	-	-	-	-	-	-	-
Available for sale financial assets	37	-	-	48	237	-	322	303
- Government bonds	*37*	*-*	*-*	*48*	*233*	*-*	*318*	*298*
- Senior bank debt and other	*-*	*-*	*-*	*-*	*4*	*-*	*4*	*5*
Total	**37**	**-**	**1**	**60**	**239**	**42**	**379**	**356**

Group exposures to selected countries (continued)

Italy (continued)

As at 31 December 2014	Carrying value 0-3 months €m	3-12 months €m	1-2 years €m	2-5 years €m	5-10 years €m	Over 10 years €m	Total €m	Nominal value Total €m
Other financial assets at fair value through profit or loss	-	-	-	5	14	40	59	48
- Government bonds	*-*	*-*	*-*	*-*	*-*	*39*	*39*	*30*
- Other	*-*	*-*	*-*	*5*	*14*	*1*	*20*	*18*
Loans and advances to banks	-	-	-	-	-	-	-	-
Available for sale financial assets	-	-	34	2	106	-	142	132
- Government bonds	*-*	*-*	*34*	*-*	*100*	*-*	*134*	*125*
- Senior bank debt and other	*-*	*-*	*-*	*2*	*6*	*-*	*8*	*7*
Total	-	-	34	7	120	40	201	180

Available for sale financial assets As at 31 December 2015 Maturity profile	**0-3 months €m**	**3-12 months €m**	**1-2 years €m**	**2-5 years €m**	**5-10 years €m**	**Over 10 years €m**	**Total €m**
Nominal value	37	-	-	42	224	-	303
Fair value	37	-	-	48	237	-	322
AFS reserve (before tax)	-	-	-	2	2	-	4

Available for sale financial assets As at 31 December 2014 Maturity profile	0-3 months €m	3-12 months €m	1-2 years €m	2-5 years €m	5-10 years €m	Over 10 years €m	Total €m
Nominal value	-	-	33	2	97	-	132
Fair value	-	-	34	2	106	-	142
AFS reserve (before tax)	-	-	1	-	1	-	2

Supplementary asset quality and forbearance disclosures

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The tables below (except where denoted unaudited) in the Supplementary asset quality and forbearance disclosures form an integral part of the audited financial statements as described in the Basis of preparation on page 176. All other information in the Supplementary asset quality and forbearance disclosures is additional information and does not form part of the audited financial statements

Retail Ireland mortgages

The following disclosures refer to the Retail Ireland mortgage loan book and provide additional detail and analysis on the composition and quality of this loan book.

The Group has an established infrastructure for the origination, underwriting and management of its mortgage portfolio. The processes of underwriting through to account management are centralised and no delegated discretions are in operation outside the centralised units. The mortgage process is a comprehensively documented process with documentary evidence of key borrower information including independent valuations of relevant security property.

Retail Ireland mortgage origination lending policy and guidelines are subject to annual governance. Each applicant is primarily assessed based on their ability and capacity to repay the loan while the creditworthiness of the applicant, value of the property and the individual circumstances of the applicant are key factors in the underwriting decision.

At 31 December 2015, lending criteria for the Retail Ireland mortgage portfolio include:
- repayment capacity of the borrower;
- loan to value (LTV) limits;
- mortgage term duration; and
- loan specific terms and conditions.

Book composition

Loan volumes

TABLE: 1

Retail Ireland mortgages - Volumes (before impairment provisions) by product type	**31 December 2015 €m**	31 December 2014 €m
Owner occupied mortgages	19,951	19,943
Buy to let mortgages	5,040	5,645
Total Retail Ireland mortgages	**24,991**	**25,588**

Retail Ireland mortgages - Volumes (before impairment provisions) by interest rate type	**31 December 2015**		31 December 2014	
	€m	**%**	€m	%
Tracker	12,949	52%	14,412	56%
Variable rates	8,129	32%	8,823	35%
Fixed rates	3,913	16%	2,353	9%
Total Retail Ireland mortgages	**24,991**	**100%**	**25,588**	**100%**

Book composition (continued)

Loan volumes (continued)

Retail Ireland mortgages were €25.0 billion at 31 December 2015 compared to €25.6 billion at 31 December 2014, a decrease of €0.6 billion or 2.3%, which includes a €1.5 billion decrease in the tracker portfolio and a €0.9 billion increase in the combined variable and fixed portfolios. This increase in combined variable and fixed portfolios primarily reflects the strong take up of fixed interest rate mortgages by both existing and new customers. The movement in the book size reflects a combination of factors including new mortgage lending, principal repayments, resolution activity and the acquisition of mortgage portfolios of €0.3 billion in the period.

The proportion of the Retail Ireland mortgage portfolio on a 'full principal and interest'[1] repayment basis at 31 December 2015 was 91% (31 December 2014: 89%) with the balance of 9% on an 'interest only'[2] repayment basis (31 December 2014: 11%). Of the Owner occupied mortgages of €20 billion, 95% were on a 'full principal and interest' repayment basis (31 December 2014: 94%), while 76% of the Buy to let mortgages of €5 billion were on a 'full principal and interest' repayment basis (31 December 2014: 70%). It is the Group's policy to revert all loans to a 'full principal and interest' basis on expiry of the 'interest only' period.

[1] *'Full principal and interest' repayment basis mortgages consist of mortgages that are contracted to be repaid over the agreed term on an amortising basis. The typical term at origination for these mortgages was between 20 to 30 years.*
[2] *'Interest only' mortgages typically consist of mortgages where the repayment consists of the full interest element (or greater) for an agreed period at the end of which the mortgage repayment basis becomes 'full principal and interest' contracted to be repaid over the agreed term. Interest only periods on Retail Ireland mortgages typically range between three and five years.*

Origination profile

TABLE: 2

31 December 2015 **Origination[1] of Retail Ireland mortgage loan book (before impairment provisions)**	**Total Retail Ireland mortgage loan book**		**Non-performing loans**	
	Balance €m	**Number of accounts[2]**	**Balance €m**	**Number of accounts[2]**
2000 and before	396	13,930	46	1,039
2001	304	5,700	29	391
2002	563	8,161	68	617
2003	1,006	11,623	139	1,050
2004	1,747	15,965	255	1,554
2005	2,868	21,004	426	2,160
2006	4,314	26,551	802	3,315
2007	3,753	21,848	750	2,885
2008	2,590	15,928	389	1,594
2009	1,385	9,962	100	593
2010	1,004	6,878	22	141
2011	874	6,076	10	56
2012	771	5,391	3	25
2013	730	4,805	2	11
2014	1,134	6,704	2	8
2015	1,552	12,148	6	101
Total	**24,991**	**192,674**	**3,049**	**15,540**

[1] *The lending originated in each year is net of related redemptions. For phased drawdowns, the year of the initial drawdown is classified as the year of origination.*
[2] *The number of accounts does not equate to either the number of customers or the number of properties.*

Book composition (continued)

Origination profile (continued)

31 December 2014 Origination[1] of Retail Ireland mortgage loan book (before impairment provisions)	Total Retail Ireland mortgage loan book Balance €m	Number of accounts[2]	Non-performing loans Balance €m	Number of accounts[2]
2000 and before	492	16,613	64	1,483
2001	349	6,147	37	525
2002	648	8,787	92	824
2003	1,140	12,397	196	1,392
2004	1,956	16,863	316	1,921
2005	3,146	22,296	535	2,721
2006	4,686	27,495	1,066	4,311
2007	4,081	22,538	957	3,610
2008	2,817	16,505	492	2,024
2009	1,495	10,417	121	709
2010	1,084	7,215	26	151
2011	942	6,317	9	54
2012	827	5,583	1	17
2013	779	4,948	1	6
2014	1,146	6,781	-	-
Total	25,588	190,902	3,913	19,748

[1] *The lending originated in each year is net of related redemptions. For phased drawdowns, the year of the initial drawdown is classified as the year of origination.*
[2] *The number of accounts does not equate to either the number of customers or the number of properties.*

The tables above illustrate that at 31 December 2015, €6.9 billion or 27% of the Retail Ireland mortgage loan book originated before 2006, €10.7 billion or 43% between 2006 and 2008 and €7.4 billion or 30% in the years since 2008. The lending originated in 2015 includes the acquisition of €0.3 billion of well seasoned mortgage portfolios, of which there are a small number of non-performing but not impaired mortgages.

Non-performing loans comprise defaulted loans together with probationary mortgages as described on pages 83 and 84 in the credit risk section of the Risk Management Report.

At 31 December 2015, total Non-performing loans were €3.0 billion (31 December 2014: €3.9 billion) or 12% of the Retail Ireland mortgage loan book, of which €1.9 billion originated between 2006 and 2008. There has been a significant decrease in total Non-performing loans in the year ended 31 December 2015 reflecting the effectiveness of the Group's operating infrastructure, restructure of customer mortgages on a sustainable basis and mortgage resolution activity supported by improving economic conditions.

At 31 December 2015, impairment provisions were €1.2 billion equating to 39% of non-performing balances on the Retail Ireland mortgage book.

Book composition (continued)

Risk profile

TABLE: 3a

31 December 2015 Risk profile of Retail Ireland mortgage loan book (before impairment provisions)	**Owner occupied**		**Buy to let**		**Total**	
	€m	**%**	**€m**	**%**	**€m**	**%**
Neither past due nor impaired	18,352	92%	3,812	76%	22,164	89%
1-90 days past due but not impaired	362	2%	143	3%	505	2%
Past due greater than 90 days but not impaired	236	1%	124	2%	360	1%
Impaired	1,001	5%	961	19%	1,962	8%
Total	**19,951**	**100%**	**5,040**	**100%**	**24,991**	**100%**
Non-performing loans						
Probationary mortgages	418	25%	309	22%	727	24%
- Self-cure	*111*	*7%*	*60*	*4%*	*171*	*6%*
- Forborne	*307*	*18%*	*249*	*18%*	*556*	*18%*
Defaulted loans	1,237	75%	1,085	78%	2,322	76%
- Past due greater than 90 days but not impaired	*236*	*14%*	*124*	*9%*	*360*	*12%*
- Impaired	*1,001*	*61%*	*961*	*69%*	*1,962*	*64%*
Total	**1,655**	**100%**	**1,394**	**100%**	**3,049**	**100%**

31 December 2014 Risk profile of Retail Ireland mortgage loan book (before impairment provisions)	Owner occupied		Buy to let		Total	
	€m	%	€m	%	€m	%
Neither past due nor impaired	17,800	89%	3,943	70%	21,743	85%
1-90 days past due but not impaired	458	2%	168	3%	626	2%
Past due greater than 90 days but not impaired	411	2%	266	5%	677	3%
Impaired	1,274	7%	1,268	22%	2,542	10%
Total	19,943	100%	5,645	100%	25,588	100%
Non-performing loans						
Probationary mortgages	461	22%	233	13%	694	18%
- Self-cure	*138*	*7%*	*66*	*4%*	*204*	*5%*
- Forborne	*323*	*15%*	*167*	*9%*	*490*	*13%*
Defaulted loans	1,685	78%	1,534	87%	3,219	82%
- Past due greater than 90 days but not impaired	*411*	*19%*	*266*	*15%*	*677*	*17%*
- Impaired	*1,274*	*59%*	*1,268*	*72%*	*2,542*	*65%*
Total	2,146	100%	1,767	100%	3,913	100%

The tables above illustrate that €22.2 billion or 89% of the total Retail Ireland mortgage loan book at 31 December 2015 was classified as 'neither past due nor impaired' compared to €21.7 billion or 85% at 31 December 2014.

The '1-90 days past due but not impaired' category amounted to €0.5 billion or 2% of the total Retail Ireland mortgage loan book at 31 December 2015 compared to €0.6 billion or 2% at 31 December 2014.

The 'past due greater than 90 days but not impaired' category amounted to €0.4 billion or 1% of the total Retail Ireland mortgage loan book at 31 December 2015 compared to €0.7 billion or 3% at 31 December 2014.

The 'impaired' category amounted to €2.0 billion or 8% of the total Retail Ireland mortgage loan book at 31 December 2015 compared to €2.5 billion or 10% at 31 December 2014.

Book composition (continued)

Risk profile (continued)

Total non-performing mortgages reduced significantly by €0.9 billion or 22% to €3.0 billion at 31 December 2015. Within this, probationary mortgages were €0.7 billion at 31 December 2015 (31 December 2014: €0.7 billion) and defaulted loans reduced by €0.9 billion or 28% to €2.3 billion at 31 December 2015 (31 December 2014: €3.2 billion), reflecting the effectiveness of the Group's operating infrastructure, restructure of customer mortgages on a sustainable basis and mortgage resolution activity supported by improving economic conditions.

There has been a reduction in Owner occupied Non-performing loans in the year ended 31 December 2015, decreasing to €1.6 billion at 31 December 2015 from €2.1 billion at 31 December 2014. This reduction further reflects the ongoing progress the Group is making in effecting its mortgage arrears resolution strategies. This progress is further evident in the reduction of non-performing Buy to let mortgages, decreasing to €1.4 billion at 31 December 2015 from €1.8 billion at 31 December 2014. This reduction reflects the significant progress made by the Group in the ongoing restructure of customer mortgages on a sustainable basis and resolution activity, supported by improved rental market conditions, particularly evident in primary urban areas.

The Retail Ireland Buy to let mortgage loan portfolio reduced by €0.6 billion or 11% in the year ended 31 December 2015 and the percentage of the Buy to let portfolio on a 'full principal and interest' repayment basis increased from 70% at 31 December 2014 to 76% at 31 December 2015.

Arrears profile

TABLE: 3b *(unaudited)*

Mortgage arrears - Greater than 90 days past due (number of accounts)	**31 December 2015 %**	30 June 2015 %	31 December 2014 %
Retail Ireland Owner occupied mortgages	3.8%	4.8%	5.5%
Industry[1] Owner occupied (number of accounts)	n/a	10.6%	11.6%
Retail Ireland Buy to let mortgages	9.5%	12.1%	13.8%
Industry[1] Buy to let (number of accounts)	n/a	21.1%	22.8%

Mortgage arrears - Greater than 90 days past due (value)	**31 December 2015 %**	30 June 2015 %	31 December 2014 %
Retail Ireland Owner occupied mortgages	5.4%	6.7%	7.7%
Industry[1] Owner occupied (value)	n/a	15.0%	16.5%
Retail Ireland Buy to let mortgages	17.4%	20.7%	22.7%
Industry[1] Buy to let (value)	n/a	28.7%	31.1%

The latest information published by the Central Bank of Ireland is for the quarter ended 30 September 2015. This information indicates that the proportion (by number of accounts) of the Retail Ireland mortgage book in default arrears (greater than 90 days past due) consistently remains significantly below the industry average for both Owner occupied (43% of industry average) and Buy to let (56% of industry average) mortgages. At 30 September 2015, 4.27% and 11.15% of Bank of Ireland's Retail Ireland Owner occupied and Buy to let mortgages respectively (by number of accounts) were greater than '90 days past due' compared to 9.98%[1] and 20.09%[1] respectively for the industry.

[1] *Industry source: CBI Mortgage Arrears Statistics Report - adjusted to exclude Bank of Ireland.*

Book composition (continued)

Arrears profile (continued)

TABLE: 3b-(i) *(unaudited)*

Mortgage arrears - 720 days past due (number of accounts)	**31 December 2015 %**	30 June 2015 %	31 December 2014 %
Retail Ireland Owner occupied mortgages	2.0%	2.3%	2.4%
Industry[1] Owner occupied (Number of accounts)	n/a	5.8%	5.7%
Retail Ireland Buy to let mortgages	5.0%	5.5%	5.8%
Industry[1] Buy to let (Number of accounts)	n/a	12.8%	12.5%

Mortgage arrears - 720 days past due (value)	**31 December 2015 %**	30 June 2015 %	31 December 2014 %
Retail Ireland Owner occupied mortgages	3.1%	3.5%	3.6%
Industry[1] Owner occupied (value)	n/a	9.1%	8.8%
Retail Ireland Buy to let mortgages	8.9%	9.2%	9.4%
Industry[1] Buy to let (value)	n/a	19.2%	19.0%

The latest information published by the Central Bank of Ireland is for the quarter ended 30 September 2015. This information indicates that the proportion (by number of accounts) of the Retail Ireland mortgage book in arrears greater than 720 days past due consistently remains significantly below the industry average for both Owner occupied (37% of industry average) and Buy to let (43% of industry average) mortgages. At 30 September 2015, 2.15% and 5.46% of Bank of Ireland's Retail Ireland Owner occupied and Buy to let mortgages respectively (by number of accounts) were greater than 720 days past due compared to 5.75%[1] and 12.74%[1] respectively for the industry.

[1] *Industry source: CBI Mortgage Arrears Statistics Report - adjusted to exclude Bank of Ireland.*

Book composition (continued)

Loan to value profiles - total loans

TABLE: 3c

31 December 2015

Loan to value (LTV) ratio of total Retail Ireland mortgages	Owner occupied €m	Owner occupied %	Buy to let €m	Buy to let %	Total €m	Total %
Less than 50%	4,524	23%	741	14%	5,265	21%
51% to 70%	4,779	24%	749	15%	5,528	22%
71% to 80%	2,914	15%	444	9%	3,358	14%
81% to 90%	2,547	13%	796	16%	3,343	13%
91% to 100%	1,588	8%	604	12%	2,192	9%
Subtotal	**16,352**	**83%**	**3,334**	**66%**	**19,686**	**79%**
101% to 120%	2,514	12%	1,029	20%	3,543	14%
121% to 150%	984	5%	450	9%	1,434	6%
Greater than 150%	101	-	227	5%	328	1%
Subtotal	**3,599**	**17%**	**1,706**	**34%**	**5,305**	**21%**
Total	**19,951**	**100%**	**5,040**	**100%**	**24,991**	**100%**
Weighted average LTV[1]:						
Stock of Retail Ireland mortgages at year end		72%		89%		76%
New Retail Ireland mortgages during the year		66%		64%		66%

31 December 2014

Loan to value (LTV) ratio of total Retail Ireland mortgages	Owner occupied €m	Owner occupied %	Buy to let €m	Buy to let %	Total €m	Total %
Less than 50%	3,749	19%	633	11%	4,382	17%
51% to 70%	3,958	20%	634	11%	4,592	18%
71% to 80%	2,392	12%	420	7%	2,812	11%
81% to 90%	2,489	12%	734	13%	3,223	13%
91% to 100%	1,797	9%	599	11%	2,396	9%
Subtotal	14,385	72%	3,020	53%	17,405	68%
101% to 120%	2,923	15%	1,323	23%	4,246	17%
121% to 150%	2,310	12%	933	17%	3,243	13%
Greater than 150%	325	1%	369	7%	694	2%
Subtotal	5,558	28%	2,625	47%	8,183	32%
Total	19,943	100%	5,645	100%	25,588	100%
Weighted average LTV[1]:						
Stock of Retail Ireland mortgages at year end		80%		98%		84%
New Retail Ireland mortgages during the year		70%		50%		69%

[1] *Weighted average LTVs are calculated at a property level and reflect the average property value in proportion to the outstanding mortgage.*

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Book composition (continued)

Loan to value profiles - total loans (continued)

The tables on the previous page set out the weighted average indexed LTV for the total Retail Ireland mortgage loan book which showed positive movements during 2015 and was, on average, 76% at 31 December 2015, 72% for Owner occupied mortgages and 89% for Buy to let mortgages. The weighted average indexed LTV for new Residential mortgages written during 2015 was 66%, being 66% for Owner occupied mortgages and 64% for Buy to let mortgages. These LTVs include the impact of loan book acquisitions. Excluding these acquisitions, the weighted average LTV of new Retail Ireland mortgages during the year was 71% for Owner occupied, 49% for Buy to let and 70% at a total level.

Point in time property values are determined by reference to the original or latest property valuations held, indexed to the Residential Property Price Index published by the Central Statistics Office (CSO). The indexed LTV profile of the Retail Ireland mortgage loan book contained in table 3c is based on the CSO Residential Property Price Index, at the applicable reporting date.

The CSO index for December 2015 reported that average national residential property prices were 34% below peak (31 December 2014: 38% below peak), with Dublin residential prices and outside of Dublin residential prices 36% and 35% below peak respectively (31 December 2014: 38% and 41% below peak respectively). In the 12 months to December 2015, residential property prices at a national level, increased by 6.6%.

At 31 December 2015, €19.7 billion or 79% of Retail Ireland mortgages were classified as being in positive equity, 83% for Owner occupied mortgages and 66% for Buy to let mortgages.

At 31 December 2015, the total calculated negative equity in the Retail Ireland mortgage loan book was €0.8 billion (31 December 2014: €1.4 billion). The majority of Retail Ireland mortgage borrowers in negative equity continue to meet their mortgage repayments with €0.5 billion negative equity related to loans that were ‘neither past due nor impaired’ at 31 December 2015.

Loan to value profiles - Non-performing loans

TABLE: 3d

31 December 2015

Loan to value (LTV) ratio of total Retail Ireland mortgages - Non-performing loans	Owner occupied		Buy to let		Total	
	€m	**%**	**€m**	**%**	**€m**	**%**
Less than 50%	183	11%	53	4%	236	8%
51% to 70%	220	13%	101	7%	321	11%
71% to 80%	145	9%	76	6%	221	7%
81% to 90%	166	10%	212	15%	378	12%
91% to 100%	175	11%	142	10%	317	10%
Subtotal	**889**	**54%**	**584**	**42%**	**1,473**	**48%**
101% to 120%	370	22%	414	30%	784	26%
121% to 150%	319	19%	253	18%	572	19%
Greater than 150%	77	5%	143	10%	220	7%
Subtotal	**766**	**46%**	**810**	**58%**	**1,576**	**52%**
Total	**1,655**	**100%**	**1,394**	**100%**	**3,049**	**100%**

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Book composition (continued)

Loan to value profiles - Non-performing loans (continued)

31 December 2014

Loan to value (LTV) ratio of total Retail Ireland mortgages - Non-performing loans	Owner occupied €m	Owner occupied %	Buy to let €m	Buy to let %	Total €m	Total %
Less than 50%	194	9%	70	4%	264	7%
51% to 70%	230	11%	80	5%	310	8%
71% to 80%	155	7%	91	5%	246	6%
81% to 90%	185	9%	198	11%	383	10%
91% to 100%	192	9%	160	9%	352	9%
Subtotal	956	45%	599	34%	1,555	40%
101% to 120%	432	20%	450	26%	882	22%
121% to 150%	543	25%	501	28%	1,044	27%
Greater than 150%	215	10%	217	12%	432	11%
Subtotal	1,190	55%	1,168	66%	2,358	60%
Total	2,146	100%	1,767	100%	3,913	100%

The tables above illustrate the indexed loan to value ratios at the applicable reporting dates for non-performing Retail Ireland mortgages. The ratios reflect the application of the CSO index at the applicable reporting date to the portfolio.

Of the non-performing Retail Ireland mortgages €1.5 billion or 48% were classified as being in positive equity (31 December 2014: €1.6 billion or 40%) while €1.6 billion or 52% were classified as being in negative equity at 31 December 2015 (31 December 2014: €2.4 billion or 60%).

For the non-performing category, 54% of the Owner occupied Retail Ireland mortgages (31 December 2014: 45%) and 42% of the Buy to let Retail Ireland mortgages (31 December 2014: 34%) were classified as being in positive equity at 31 December 2015.

Asset quality

Composition and impairment

TABLE: 4a

31 December 2015

Retail Ireland mortgages	**Loan volumes €m**	**Non-performing loans[1] €m**	**Non-performing loans as % of advances %**	**Impairment provisions €m**	**Impairment provisions as % of non-performing loans %**
Total Retail Ireland mortgages					
Owner occupied mortgages	19,951	1,655	8.3%	535	32%
Buy to let mortgages	5,040	1,394	27.7%	664	48%
Total	**24,991**	**3,049**	**12.2%**	**1,199**	**39%**
of which;					
Forborne Retail Ireland mortgages					
Owner occupied mortgages	2,207	671	30.4%	217	32%
Buy to let mortgages	1,253	505	40.3%	195	39%
Total	**3,460**	**1,176**	**34.0%**	**412**	**35%**

[1] *The NPL classification does not indicate that the terms of the forbearance measure are not being met.*

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Asset quality (continued)

Composition and impairment (continued)

31 December 2014 Retail Ireland mortgages	Loan volumes €m	Non-performing loans[1] €m	Non-performing loans as % of advances %	Impairment provisions €m	Impairment provisions as % of non-performing loans %
Total Retail Ireland mortgages					
Owner occupied mortgages	19,943	2,146	10.8%	672	31%
Buy to let mortgages	5,645	1,767	31.3%	815	46%
Total	25,588	3,913	15.3%	1,487	38%
of which;					
Forborne Retail Ireland mortgages					
Owner occupied mortgages	2,093	810	38.7%	248	31%
Buy to let mortgages	1,002	494	49.3%	185	37%
Total	3,095	1,304	42.1%	433	33%

[1] *The NPL classification does not indicate that the terms of the forbearance measure are not being met.*

Non-performing Retail Ireland mortgages at 31 December 2015 were €3.0 billion or 12.2% of advances compared to €3.9 billion or 15.3% of advances at 31 December 2014.

Total non-performing mortgages reduced significantly by €0.9 billion or 22% to €3.0 billion at 31 December 2015 reflecting the effectiveness of the Group's operating infrastructure, restructure of customer mortgages on a sustainable basis, mortgage resolution activity and improving economic conditions.

There has been a reduction in Owner occupied Non-performing loans for the year ended 31 December 2015, decreasing to €1.6 billion at 31 December 2015 from €2.1 billion at 31 December 2014. This reduction further reflects the ongoing progress the Group is making in effecting its mortgage arrears resolution strategies.

This progress is further evident in the reduction of non-performing Buy to let mortgages, decreasing to €1.4 billion at 31 December 2015 from €1.8 billion at 31 December 2014. This reduction reflects the significant progress made by the Group in the ongoing restructure of customer mortgages on a sustainable basis and resolution activity supported by improved rental market conditions, particularly evident in primary urban areas.

Asset quality (continued)

Composition and impairment (continued)

The tables below summarise the composition, defaulted loans and total impairment provisions of the Retail Ireland mortgage portfolio.

TABLE: 4b

31 December 2015 **Retail Ireland mortgages**	**Loan volumes €m**	**Defaulted loans[1] €m**	**Defaulted loans as % of advances %**	**Impairment provisions €m**	**Impairment provisions as % of defaulted loans %**
Total Retail Ireland mortgages					
Owner occupied mortgages	19,951	1,237	6.2%	535	43%
Buy to let mortgages	5,040	1,085	21.5%	664	61%
Total	**24,991**	**2,322**	**9.3%**	**1,199**	**52%**
of which;					
Forborne Retail Ireland mortgages					
Owner occupied mortgages	2,207	365	16.5%	217	59%
Buy to let mortgages	1,253	255	20.3%	195	76%
Total	**3,460**	**620**	**17.9%**	**412**	**66%**

31 December 2014 Retail Ireland mortgages	Loan volumes €m	Defaulted loans[1] €m	Defaulted loans as % of advances %	Impairment provisions €m	Impairment provisions as % of defaulted loans %
Total Retail Ireland mortgages					
Owner occupied mortgages	19,943	1,685	8.4%	672	40%
Buy to let mortgages	5,645	1,534	27.2%	814	53%
Total	25,588	3,219	12.6%	1,486	46%
of which;					
Forborne Retail Ireland mortgages					
Owner occupied mortgages	2,093	488	23.3%	248	51%
Buy to let mortgages	1,002	326	32.5%	185	57%
Total	3,095	814	26.3%	433	53%

[1] *The 'defaulted loans' classification includes both accounts which were classified as 'defaulted loans' prior to the forbearance measure being put in place and also those loans which have moved from 'non-defaulted' loans during the year. The 'defaulted loans' classification does not indicate that the terms of the forbearance measure are not being met.*

Asset quality (continued)

Properties in possession

At 31 December 2015, the Group had possession of properties held as security as follows:

TABLE: 5a

Properties in possession Retail Ireland mortgages	31 December 2015 Number of properties in possession at balance sheet date	31 December 2015 Balance[1] outstanding before impairment provisions €m	31 December 2014 Number of properties in possession at balance sheet date	31 December 2014 Balance[1] outstanding before impairment provisions €m
Owner occupied	120	32	129	38
Buy to let	47	14	48	14
Total residential properties in possession	**167**	**46**	**177**	**52**

[1] Gross balance outstanding before value of additional collateral held.

Disposals of properties in possession

TABLE: 5b

Disposals of properties in possession Retail Ireland mortgages	31 December 2015 Number of disposals during the year	31 December 2015 Balance[1] outstanding after impairment provisions €m	31 December 2014 Number of disposals during the year	31 December 2014 Balance[1] outstanding after impairment provisions €m
Owner occupied	137	20	144	18
Buy to let	49	5	104	12
Total disposals of properties in possession	**186**	**25**	**248**	**30**

[1] Gross balance outstanding before value of additional collateral held.

During the year ended 31 December 2015, the Group disposed of 186 properties (year ended 31 December 2014: 248 properties were disposed).

The total contracted disposal proceeds were adequate to cover the balance outstanding after provisions and net of additional collateral held.

For the year ended 31 December 2015, the proceeds from disposals of Owner occupied properties were €20 million (year ended 31 December 2014: €18 million).

For the year ended 31 December 2015, the proceeds from disposals of Buy to let properties before value of additional collateral applied were €5 million (year ended 31 December 2014: €12 million).

In addition, a further 531 Buy to let properties were disposed of by fixed charge receivers during the year ended 31 December 2015 (year ended 31 December 2014: 1,103).

Asset quality (continued)

Forbearance measures

Mortgage forbearance

The Group continues to offer a range of forbearance measures for customers in arrears or facing potential arrears on contracted mortgage repayments, in order to arrange, where viable, sustainable short-term or longer term repayment solutions as appropriate.

Forbearance occurs when a borrower is granted a temporary or permanent agreed change to the contractual terms of a mortgage loan ('forbearance measure'), for reasons relating to the actual or apparent financial stress or distress of that borrower. If the agreed change to a mortgage loan granted to a borrower is not related to the actual or apparent financial stress or distress of that borrower, forbearance has not occurred. A mortgage loan which has an active 'forbearance measure' is a 'forborne' mortgage.

The Group has an established operating infrastructure in place to assess and, where appropriate, implement sustainable forbearance measures for customers. Forbearance requests are assessed on a case-by-case basis, taking due consideration of the individual circumstances and risk profile of the borrower to ensure, where possible, the most suitable and sustainable repayment arrangement is put in place.

The forbearance strategies adopted by the Group seek to maximise recoveries arising from non-repayment of debt, while providing suitable and sustainable forbearance options that are supportive of customers in challenged financial circumstances.

A forbearance request by the borrower will always be a trigger event for the Group to undertake an assessment of the customer's financial circumstances, ability to repay and impairment status. This assessment will determine the most appropriate course of action ensuring, where possible, the most suitable and sustainable repayment arrangement is put in place. Impaired forborne loans carry a specific provision. Probability of Default factors for non-impaired forborne loans are empirically calculated, resulting in an IBNR provision.

It is the Group's policy to review the effectiveness or otherwise of forbearance measures over the lifetime of those measures.

A forbearance measure is considered to be effective where the risk profile of the borrower that is subject to the forbearance measure stabilises or improves over the measured time period, resulting in an improved outcome for the Group and the customer.

The effectiveness of forbearance is considered taking account of:
- the strategy that is being followed is with a view to maximising recovery for the Group and providing a suitable option for the customer;
- the intended outcome of the particular measure;
- the nature of the measure being granted; and
- the period over which the measure is granted.

The nature and type of forbearance measures include:
- full interest: (step up to full principal and interest) on the principal balance, on a temporary or longer term basis, with the principal balance unchanged;
- reduced payment: (greater than full interest with step up to full principal and interest) on the principal balance, on a temporary or longer term basis with the principal balance unchanged;
- term extension: the original term of the mortgage is extended and the instalment is re-calculated to clear the outstanding mortgage debt over the remaining term;
- capitalisation of arrears: the arrears are added to the principal outstanding on the mortgage and the instalment is recalculated to clear the outstanding mortgage debt over the remaining term;
- hybrids: comprising a combination of forbearance measures; and
- other: comprising primarily permanent restructures and an element of temporary payment suspensions.

Asset quality (continued)

Forbearance measures (continued)

The table below sets out Retail Ireland mortgages (before impairment provisions) forborne loan stock[1] subject to active forbearance measures at 31 December 2015.

TABLE: 6a

31 December 2015	Performing loans		Non-performing loans[2,3]		All loans	
Formal forbearance measures - Retail Ireland mortgages (before impairment provisions)	**Balance €m**	**Number of accounts[4]**	**Balance €m**	**Number of accounts[4]**	**Balance €m**	**Number of accounts[4]**
Owner occupied						
Full Interest	75	543	27	183	102	726
Reduced payment (greater than full interest)	217	1,936	204	1,523	421	3,459
Term extension	385	4,460	66	587	451	5,047
Capitalisation of arrears	358	2,600	148	856	506	3,456
Hybrids	481	3,651	220	1,403	701	5,054
Other	20	142	6	54	26	196
Total	**1,536**	**13,332**	**671**	**4,606**	**2,207**	**17,938**
Buy to let						
Full Interest	98	371	54	152	152	523
Reduced payment (greater than full interest)	133	872	119	566	252	1,438
Term extension	163	1,174	28	157	191	1,331
Capitalisation of arrears	80	431	60	260	140	691
Hybrids	273	1,096	239	798	512	1,894
Other	1	3	5	15	6	18
Total	**748**	**3,947**	**505**	**1,948**	**1,253**	**5,895**
Total						
Full Interest	173	914	81	335	254	1,249
Reduced payment (greater than full interest)	350	2,808	323	2,089	673	4,897
Term extension	548	5,634	94	744	642	6,378
Capitalisation of arrears	438	3,031	208	1,116	646	4,147
Hybrids	754	4,747	459	2,201	1,213	6,948
Other	21	145	11	69	32	214
Total	**2,284**	**17,279**	**1,176**	**6,554**	**3,460**	**23,833**

1 Comprises the stock position of forbearance measures (agreed since November 2008). Where a mortgage loan was granted a forbearance measure for a defined period of time and this measure has expired prior to or on 31 December 2015, this mortgage loan is not included in the stock of active forbearance measures.
2 The NPL classification does not indicate that the terms of the forbearance measure are not being met.
3 Non-performing loans comprise defaulted loans together with probationary mortgages as described on pages 83 and 84 in the credit risk section of the Risk Management Report.
4 The number of accounts does not equate to either the number of customers or the number of properties.

Asset quality (continued)

Forbearance measures (continued)

31 December 2014	Performing loans		Non-performing loans[2,3]		All loans	
Formal forbearance measures - Retail Ireland mortgages (before impairment provisions)	Balance €m	Number of accounts[4]	Balance €m	Number of accounts[4]	Balance €m	Number of accounts[4]
Owner occupied						
Full interest	115	859	69	435	184	1,294
Reduced payment (greater than full interest)	203	1,669	260	1,622	463	3,291
Term extension	372	4,192	109	907	481	5,099
Capitalisation of arrears	238	1,681	111	662	349	2,343
Hybrids	336	2,458	248	1,580	584	4,038
Other	19	135	13	84	32	219
Total	1,283	10,994	810	5,290	2,093	16,284
Buy to let						
Full interest	84	355	95	294	179	649
Reduced payment (greater than full interest)	92	556	141	592	233	1,148
Term extension	147	1,039	42	229	189	1,268
Capitalisation of arrears	47	251	46	183	93	434
Hybrids	138	645	170	642	308	1,287
Other	-	4	-	2	-	6
Total	508	2,850	494	1,942	1,002	4,792
Total						
Full interest	199	1,214	164	729	363	1,943
Reduced payment (greater than full interest)	295	2,225	401	2,214	696	4,439
Term extension	519	5,231	151	1,136	670	6,367
Capitalisation of arrears	285	1,932	157	845	442	2,777
Hybrids	474	3,103	418	2,222	892	5,325
Other	19	139	13	86	32	225
Total	1,791	13,844	1,304	7,232	3,095	21,076

1 Comprises the stock position of forbearance measures (agreed since November 2008). Where a mortgage loan was granted a forbearance measure for a defined period of time and this measure has expired prior to or on 31 December 2014, this mortgage loan is not included in the stock of active forbearance measures.
2 The NPL classification does not indicate that the terms of the forbearance measure are not being met.
3 Non-performing loans comprise defaulted loans together with probationary mortgages as described on pages 83 and 84 in the credit risk section of the Risk Management Report.
4 The number of accounts does not equate to either the number of customers or the number of properties.

The total number of accounts in forbearance has increased from 21,076 at 31 December 2014 to 23,833 accounts at 31 December 2015. The balances on accounts in forbearance have increased from €3.1 billion at 31 December 2014 to €3.5 billion at 31 December 2015. This overall increase reflects the Group's progress in implementing restructure and resolution strategies.

For Owner occupied mortgages, 17,938 accounts or €2.2 billion are in forbearance at 31 December 2015 (31 December 2014: 16,284 accounts or €2.1 billion). For Buy to let mortgages, 5,895 accounts or €1.3 billion are in forbearance at 31 December 2015 (31 December 2014: 4,792 accounts or €1.0 billion).

At 31 December 2015, there were a further 588 existing arrears accounts not classified as forborne, whereby the borrower has met their contractual payment and made an additional payment towards their arrears balance (31 December 2014: 1,042 accounts).

Asset quality (continued)

Forbearance measures (continued)

In addition to the forbearance pertaining to Buy to let mortgages, the Group has a strategy to appoint fixed charge receivers. At 31 December 2015, there were 1,275 properties where a fixed charge receiver had been appointed or approved, compared to 1,289 properties at 31 December 2014.

Hybrids are the largest forbearance category by number of accounts with 6,948 accounts at 31 December 2015 (31 December 2014: 5,325 accounts), followed by term extension forbearance treatments with 6,378 accounts at 31 December 2015 (31 December 2014: 6,367 accounts).

Hybrids increased to 6,948 accounts or €1.2 billion at 31 December 2015 from 5,325 accounts or €0.9 billion at 31 December 2014. A total of 986 accounts or €0.2 billion new hybrid measures were put in place during the year, 1,372 accounts or €0.3 billion changed from another forbearance measure to hybrid, while 559 accounts or €0.1 billion changed to another forbearance measure. A reduction of 176 accounts relates to redeemed accounts; a reduction of €44 million was due to those redeemed accounts and principal repayments made during the year.

A total of 669 accounts or €0.1 billion new term extensions were extended during the year. A further 322 accounts or €41 million changed to term extension from another forbearance measure, while 649 accounts or €0.1 billion changed forbearance measure. A reduction of 331 accounts relates to redeemed accounts; a reduction of €0.1 billion was due to those redeemed accounts and principal repayments made during the year.

Reduced payment (greater than full interest with step up to full capital and interest) increased to 4,897 accounts or €0.7 billion at 31 December 2015, compared to 4,439 accounts or €0.7 billion at 31 December 2014. A total of 1,710 accounts or €0.3 billion of new reduced payment (greater than full interest with step up to full capital and interest) forbearance measures were extended during the year. A further 267 accounts or €46 million changed their forbearance measure to reduced payment (greater than full interest with step up to full capital and interest), while 618 accounts or €0.1 billion changed to another forbearance measure. A total of 794 accounts or €0.1 billion exited during the year. A reduction of 107 accounts relates to redeemed accounts; a reduction of €0.1 billion was due to those redeemed accounts and principal repayments made during the year.

At 31 December 2015, 1,249 accounts or €0.3 billion were subject to full interest forbearance compared to 1,943 accounts or €0.4 billion at 31 December 2014. A total of 593 accounts or €0.1 billion of new full interest forbearance measures were extended during the year, 50 accounts or €8 million changed to full interest, while 417 accounts or €0.1 billion changed from full interest to another forbearance measure. A total of 765 accounts or €0.1 billion exited forbearance during the year. A reduction of 155 accounts relates to redeemed accounts; a reduction of €19 million was due to those redeemed accounts and principal repayments made during the year.

Capitalisations of arrears increased to 4,147 accounts or €0.6 billion at 31 December 2015 from 2,777 accounts or €0.4 billion at 31 December 2014. A total of 1,203 accounts or €0.2 billion had capitalisation of arrears applied during the year. A further 432 accounts or €0.1 billion changed to capitalisation of arrears from another forbearance measure, while 172 accounts or €36 million changed to another forbearance measure. A reduction of 93 accounts relates to redeemed accounts; a reduction of €35 million was due to those redeemed accounts and principal repayments made during the year.

'Other' forbearance measures decreased to 214 accounts or €32 million at 31 December 2015 from 225 accounts or €32 million at 31 December 2014.

Asset quality (continued)

Forbearance measures (continued)

The following table shows the movement in the stock of active forborne Retail Ireland mortgages (before impairment provisions) during the year ended 31 December 2015.

TABLE: 6b

Reconciliation of forborne loan stock by performing / non-performing status - Retail Ireland mortgages (before impairment provisions)	Owner occupied		Buy to let		All loans	
	Balance €m	Number of accounts[1]	Balance €m	Number of accounts[1]	Balance €m	Number of accounts[1]
All						
Opening balance at 1 January 2015*	**2,093**	**16,284**	**1,002**	**4,792**	**3,095**	**21,076**
New forbearance extended	478	3,705	384	1,606	862	5,311
Exited forbearance						
- Improved to or remained performing	(109)	(776)	(19)	(112)	(128)	(888)
- Improved / stabilised and remained non-performing	(74)	(406)	(26)	(95)	(100)	(501)
- Redemptions, principal repayments and other	(143)	(648)	(71)	(226)	(214)	(874)
- Disimproved to or within non-performing	(38)	(221)	(17)	(70)	(55)	(291)
Transfers within forbearance between performing and Non-performing loans	-	-	-	-	-	-
Closing balance at 31 December 2015	**2,207**	**17,938**	**1,253**	**5,895**	**3,460**	**23,833**
Performing loans						
Opening balance at 1 January 2015*	**1,283**	**10,994**	**508**	**2,850**	**1,791**	**13,844**
New forbearance extended	212	1,849	162	722	374	2,571
Exited forbearance						
- Remained performing	(105)	(754)	(19)	(106)	(124)	(860)
- Redemptions, principal repayments and other	(90)	(449)	(39)	(130)	(129)	(579)
- Disimproved to non-performing	(10)	(73)	(4)	(19)	(14)	(92)
Transfers within forbearance between performing and Non-performing loans	246	1,765	140	630	386	2,395
Closing balance at 31 December 2015	**1,536**	**13,332**	**748**	**3,947**	**2,284**	**17,279**
Non-performing loans						
Opening balance at 1 January 2015*	**810**	**5,290**	**494**	**1,942**	**1,304**	**7,232**
New forbearance extended	266	1,856	222	884	488	2,740
Exited forbearance						
- Improved to performing	(4)	(22)	-	(6)	(4)	(28)
- Improved / stabilised and remained non-performing	(74)	(406)	(26)	(95)	(100)	(501)
- Redemptions, principal repayments and other	(53)	(199)	(32)	(96)	(85)	(295)
- Disimproved and remained non-performing	(28)	(148)	(13)	(51)	(41)	(199)
Transfers within forbearance between performing and Non-performing loans	(246)	(1,765)	(140)	(630)	(386)	(2,395)
Closing balance at 31 December 2015	**671**	**4,606**	**505**	**1,948**	**1,176**	**6,554**

* *In line with the revised asset quality definitions set out on pages 83 and 84 of the Risk Management Report, the table above has been prepared using 'performing' and 'non-performing' classifications. Therefore, opening balances at 1 January 2015 are not comparable with information in table 6b in the Group's Annual Report for the year ended 31 December 2014, which used a 'defaulted' classification.*

[1] *The number of accounts does not equate to either the number of customers or the number of properties.*

Asset quality (continued)

Forbearance measures (continued)

The table on the previous page details the movement in forborne accounts and balances between 1 January 2015 and 31 December 2015 and illustrates the following:

- Those accounts for which new forbearance measures were put in place during the year;
- Those accounts which exited forbearance measures during the year, either:
  - Improved to or remained in performing status;
  - Improved / stabilised and remained in non-performing status;
  - Redeemed (i.e. whereby the outstanding balance has been repaid in full) or balances reduced due to principal repayments (i.e. payments made to reduce the outstanding loan balance on accounts which were in the forbearance stock at 1 January 2015 and remained in forbearance stock at 31 December 2015);
  - Disimproved to or within non-performing; and
- Those accounts and balances which transferred between performing loans and Non-performing loans but remained in forbearance.

The non-performing loan classification does not indicate that the terms of the forbearance measure have not been met. The performing / non-performing status of accounts which exited forbearance during the year is determined at the date of exit.

A total of 23,833 accounts or €3.5 billion of account balances were in forbearance at 31 December 2015, compared to 21,076 accounts or €3.1 billion at 31 December 2014. Of these, 5,311 accounts or €0.9 billion new forbearance measures were put in place during the year ended 31 December 2015, of which 2,571 accounts or €0.4 billion were classified as 'performing loans' while 2,740 accounts or €0.5 billion were classified as 'Non-performing loans'. Of those that exited forbearance during the year 888 accounts or €0.1 billion improved to or remained performing, 501 accounts or €0.1 billion remained non-performing with improved or stabilised arrears and 291 accounts or €0.1 billion disimproved arrears to or within non-performing classification. A reduction in the forbearance stock of 874 accounts relates to redeemed accounts during the year; a reduction of €0.2 billion was due to those redeemed accounts and principal repayments made during the year.

For Owner occupied mortgages, 17,938 accounts or €2.2 billion of account balances were in forbearance at 31 December 2015 compared to 16,284 accounts or €2.1 billion at 31 December 2014. Of these, 3,705 accounts or €0.5 billion new forbearance were measures put in place during the year of which 1,849 accounts or €0.2 billion were classified as 'performing loans', while 1,856 accounts or €0.3 billion were classified as 'Non-performing loans'. Of those that exited forbearance during the year 776 accounts or €0.1 billion improved to or remained performing, 406 accounts or €0.1 billion remained non-performing with improved or stabilised arrears and 221 accounts or €38 million disimproved arrears to or within non-performing classification. A reduction of 648 accounts relates to redeemed accounts during the year; a reduction of €0.1 billion was due to those redeemed accounts and principal repayments made during the year.

For Buy to let mortgages, 5,895 accounts or €1.3 billion of account balances were in forbearance at 31 December 2015 compared to 4,792 accounts or €1.0 billion at 31 December 2014. Of these, 1,606 accounts or €0.4 billion were new forbearance measures put in place during the year of which 722 accounts or €0.2 billion were classified as 'performing loans' while 884 accounts or €0.2 billion were classified as 'Non-performing loans'. Of those that exited forbearance during the year 112 accounts or €19 million improved to or remained performing, 95 accounts or €26 million remained non-performing with improved or stabilised arrears and 70 accounts or €17 million disimproved arrears to or within non-performing classification. A reduction of 226 accounts relates to redeemed accounts during the year; a reduction of €0.1 billion was due to those redeemed accounts and principal repayments made during the year.

Mortgage Arrears
The Group has invested in its Mortgage Arrears Resolution Strategy (MARS), its infrastructure and continues to implement restructuring and resolution options for customers. The increased level of forbearance treatments reflects the ongoing effectiveness of the Group's MARS strategy in supporting customers encountering mortgage difficulties.

The Group's defined Mortgage Arrears Resolution Strategy relating to both Owner occupied and Buy to let mortgages, seeks to maximise recoveries arising from non-repayment of customer mortgages while ensuring that customers are treated with respect through the arrears management and resolution process.

Asset quality (continued)

Loan to value profiles - forborne loans

TABLE: 7a

31 December 2015

Loan to value (LTV) ratio of forborne Retail Ireland mortgages	**Owner occupied**		**Buy to let**		**Total**	
	€m	**%**	**€m**	**%**	**€m**	**%**
Less than 50%	380	17%	91	7%	471	14%
51% to 70%	383	18%	130	10%	513	15%
71% to 80%	242	11%	101	8%	343	10%
81% to 90%	243	11%	236	19%	479	14%
91% to 100%	249	11%	161	13%	410	12%
Subtotal	**1,497**	**68%**	**719**	**57%**	**2,216**	**65%**
101% to 120%	428	19%	354	28%	782	22%
121% to 150%	259	12%	132	11%	391	11%
Greater than 150%	23	1%	48	4%	71	2%
Subtotal	**710**	**32%**	**534**	**43%**	**1,244**	**35%**
Total	**2,207**	**100%**	**1,253**	**100%**	**3,460**	**100%**

31 December 2014

Loan to value (LTV) ratio of forborne Retail Ireland mortgages	Owner occupied		Buy to let		Total	
	€m	%	€m	%	€m	%
Less than 50%	286	14%	69	7%	355	12%
51% to 70%	309	15%	80	8%	389	13%
71% to 80%	188	9%	75	7%	263	8%
81% to 90%	218	10%	151	15%	369	12%
91% to 100%	213	10%	109	11%	322	10%
Subtotal	1,214	58%	484	48%	1,698	55%
101% to 120%	423	20%	262	26%	685	22%
121% to 150%	378	18%	203	20%	581	19%
Greater than 150%	78	4%	53	6%	131	4%
Subtotal	879	42%	518	52%	1,397	45%
Total	2,093	100%	1,002	100%	3,095	100%

The tables above illustrate the indexed loan to value ratios for total Retail Ireland forborne mortgages which showed an improvement in the average LTV for the year ended 31 December 2015. The ratios reflect the application of the CSO index at the applicable reporting date to the portfolio.

Of the total Retail Ireland mortgages with active forbearance measures in place €2.2 billion or 65% were classified as being in positive equity (31 December 2014: €1.7 billion or 55%) while €1.2 billion or 35% were classified as being in negative equity at 31 December 2015 (31 December 2014: €1.4 billion or 45%). 68% of forborne Owner occupied mortgages (31 December 2014: 58%) and 57% of forborne Buy to let mortgages (31 December 2014: 48%) were classified as being in positive equity at 31 December 2015.

Asset quality (continued)

Loan to value profiles - non-performing forborne loans

TABLE: 7b

31 December 2015

Loan to value (LTV) ratio of forborne Retail Ireland mortgages - Non-performing loans	Owner occupied €m	Owner occupied %	Buy to let €m	Buy to let %	Total €m	Total %
Less than 50%	78	12%	24	5%	102	9%
51% to 70%	98	15%	38	7%	136	11%
71% to 80%	61	9%	35	7%	96	8%
81% to 90%	71	10%	95	19%	166	14%
91% to 100%	76	11%	51	10%	127	11%
Subtotal	**384**	**57%**	**243**	**48%**	**627**	**53%**
101% to 120%	159	24%	165	33%	324	28%
121% to 150%	113	17%	71	14%	184	16%
Greater than 150%	15	2%	26	5%	41	3%
Subtotal	**287**	**43%**	**262**	**52%**	**549**	**47%**
Total	**671**	**100%**	**505**	**100%**	**1,176**	**100%**

31 December 2014

Loan to value (LTV) ratio of forborne Retail Ireland mortgages - Non-performing loans	Owner occupied €m	Owner occupied %	Buy to let €m	Buy to let %	Total €m	Total %
Less than 50%	73	9%	24	5%	97	7%
51% to 70%	94	12%	26	5%	120	9%
71% to 80%	62	8%	29	6%	91	7%
81% to 90%	75	9%	76	15%	151	12%
91% to 100%	83	10%	56	12%	139	11%
Subtotal	387	48%	211	43%	598	46%
101% to 120%	179	22%	125	25%	304	23%
121% to 150%	188	23%	128	26%	316	24%
Greater than 150%	56	7%	30	6%	86	7%
Subtotal	423	52%	283	57%	706	54%
Total	810	100%	494	100%	1,304	100%

The tables above illustrate the indexed loan to value ratios for non-performing Retail Ireland forborne mortgages. The ratios reflect the application of the CSO index at the applicable reporting date to the portfolio.

Of the non-performing Retail Ireland mortgages with active forbearance measures in place, €0.6 billion or 53% were classified as being in positive equity (31 December 2014: €0.6 billion or 46%), while €0.5 billion or 47% were classified as being in negative equity at 31 December 2015 (31 December 2014: €0.7 billion or 54%). 57% of the Owner occupied Retail Ireland mortgages (31 December 2014: 48%) and 48% of the Buy to let Retail Ireland mortgages (31 December 2014: 43%) were classified as being in positive equity at 31 December 2015.

Retail UK mortgages

The following disclosures refer to the Retail UK mortgage loan book. These provide additional detail and analysis on the composition and quality of this loan book.

The Group has an established infrastructure for the origination, underwriting and management of its mortgage portfolio. The processes of underwriting through to account management are centralised and no delegated discretions are in operation outside the centralised units. The mortgage process is a comprehensively documented process with documentary evidence of key borrower information including independent valuations of relevant security property.

Retail UK mortgage origination lending policy and guidelines are subject to annual governance. Each applicant is primarily assessed based on their ability and capacity to repay the loan. In addition to the above, the credit worthiness of the applicant, value of the property and the individual circumstances of the applicant are key factors in the underwriting decision.

At 31 December 2015, lending criteria for the Retail UK mortgage portfolio include:
- repayment capacity of the borrower;
- loan to value (LTV) limits;
- mortgage term duration; and
- loan specific terms and conditions.

Book composition

Loan volumes

TABLE: 1a

Retail UK mortgages - Volumes (before impairment provisions) by product type	**31 December 2015 £m**	31 December 2014 £m
Standard mortgages	10,355	9,114
Buy to let mortgages	7,562	7,778
Self certified mortgages	2,570	2,888
Total Retail UK mortgages	**20,487**	**19,780**

Retail UK mortgages were £20.5 billion at 31 December 2015 compared to £19.8 billion at 31 December 2014. The increase of £0.7 billion or 4% reflects planned growth in new business generation offset by redemption of the book.

New mortgage business continues to be sourced through the Group's relationship with the UK Post Office, through distribution arrangements with other selected strategic partners and the Group's branch network in Northern Ireland.

Of the £10.4 billion Standard mortgages, 70% are on a 'principal and interest'[1] repayment basis (31 December 2014: 63%). Of the Self certified mortgages of £2.6 billion, 21% are on a 'principal and interest' repayment basis (31 December 2014: 22%). Of the Buy to let mortgages of £7.6 billion, 9% are on a 'principal and interest' repayment basis (31 December 2014: 9%). Overall 58% of the Retail UK mortgage portfolio at 31 December 2015 are on an 'interest only'[2] repayment basis (31 December 2014: 64%).

[1] *'Principal and interest' repayment basis mortgages consist of mortgages that are contracted to be repaid over the agreed term on an amortising basis. The typical term at origination for these mortgages was 20 to 30 years.*
[2] *'Interest only' mortgages consist of mortgages where the repayment consists of the full interest element (or greater) for an agreed period at the end of which the mortgage repayment basis becomes 'principal and interest' contracted to be repaid over the agreed term. 'Interest only' on mortgage products offered in the UK may extend for the full period of the mortgage.*

Book composition (continued)

Loan volumes (continued)

TABLE: 1b

Retail UK mortgages - Volumes (before impairment provisions) by interest rate type	31 December 2015 £m	31 December 2015 %	31 December 2014 £m	31 December 2014 %
Tracker	8,690	42%	9,453	48%
Variable rates	4,944	24%	6,096	31%
Fixed rates	6,853	34%	4,231	21%
Total Retail UK mortgages	**20,487**	**100%**	**19,780**	**100%**

Tracker mortgages were £8.7 billion or 42% of the Retail UK mortgages compared to £9.5 billion or 48% at 31 December 2014, a decrease of £0.8 billion.

Variable rate mortgages were £4.9 billion or 24% of the Retail UK mortgages compared to £6.1 billion or 31% at 31 December 2014, a decrease of £1.2 billion.

Fixed rate mortgages were £6.9 billion or 34% of the Retail UK mortgages compared to £4.2 billion or 21% at 31 December 2014, an increase of £2.7 billion.

Tracker rate mortgages now account for 13% of Standard mortgages (31 December 2014: 18%), 92% of Buy to let mortgages (31 December 2014: 96%) and 15% of Self certified mortgages (31 December 2014: 14%).

Origination profile

TABLE: 2

31 December 2015 Origination profile of Retail UK mortgage loan book (before impairment provisions)	Total Retail UK mortgage loan book Balance £m	Total Retail UK mortgage loan book Number of accounts[1]	Non-performing loans Balance £m	Non-performing loans Number of accounts[1]
2000 and before	303	8,373	27	644
2001	159	2,589	6	65
2002	206	2,990	9	93
2003	460	5,551	33	290
2004	535	6,098	43	347
2005	1,416	13,297	100	759
2006	2,110	19,263	127	908
2007	3,406	29,380	198	1,429
2008	4,423	37,062	274	1,942
2009	567	5,151	14	123
2010	470	3,843	3	29
2011	367	2,856	2	19
2012	497	3,240	1	9
2013	698	4,088	1	3
2014	1,673	9,608	1	5
2015	3,197	17,721	-	2
Total	**20,487**	**171,110**	**839**	**6,667**

[1] The number of accounts does not equate to the number of customers or the number of properties.

Book composition (continued)

Origination profile (continued)

31 December 2014 Origination profile of Retail UK mortgage loan book (before impairment provisions)	Total Retail UK mortgage loan book Balance £m	Total Retail UK mortgage loan book Number of accounts[1]	Non-performing loans Balance £m	Non-performing loans Number of accounts[1]
2000 and before	400	10,812	32	745
2001	190	2,958	8	81
2002	239	3,398	12	121
2003	540	6,372	40	337
2004	616	6,879	55	445
2005	1,601	14,912	108	812
2006	2,359	21,206	151	1,052
2007	3,852	32,606	237	1,675
2008	4,916	40,542	328	2,247
2009	711	6,134	18	152
2010	649	4,920	5	39
2011	456	3,394	4	23
2012	637	3,931	1	7
2013	851	4,776	-	1
2014	1,763	9,870	-	1
Total	19,780	172,710	999	7,738

[1] The number of accounts does not equate to the number of customers or the number of properties.

The tables above illustrate that at 31 December 2015, £3.1 billion or 15% of the Retail UK mortgage loan book originated before 2006, £9.9 billion or 49% between 2006 and 2008 and £7.5 billion or 36% in the years since.

Non-performing loans comprise defaulted loans together with probationary mortgages as described on pages 83 and 84 in the credit risk section of the Risk Management Report.

Non-performing Retail UK mortgages were £0.8 billion (31 December 2014: £1.0 billion) or 4.1% of the Retail UK mortgage loan book at 31 December 2015, of which £0.6 billion or 2.9% were originated between 2006 and 2008 (31 December 2014: £0.7 billion or 3.6%).

There has been a significant decrease in total Non-performing loans in the year ended 31 December 2015 reflecting the effectiveness of the Group's operating infrastructure and resolution activity supported by improving economic conditions.

Book composition (continued)

Risk profile

TABLE: 3a

31 December 2015 Risk profile of Retail UK mortgage loan book (before impairment provisions)	**Standard**		**Buy to let**		**Self certified**		**Total**	
	£m	**%**	**£m**	**%**	**£m**	**%**	**£m**	**%**
Neither past due nor impaired	10,018	97%	7,286	96%	2,179	85%	19,483	95%
1-90 days past due but not impaired	230	2%	181	2%	270	11%	681	3%
Past due greater than 90 days but not impaired	46	-	41	1%	60	2%	147	1%
Impaired	61	1%	54	1%	61	2%	176	1%
Total	**10,355**	**100%**	**7,562**	**100%**	**2,570**	**100%**	**20,487**	**100%**
Non-performing loans								
Probationary mortgages	159	60%	160	63%	197	62%	516	61%
- Self-cure	*133*	*50%*	*150*	*59%*	*172*	*54%*	*455*	*54%*
- Forborne	*26*	*10%*	*10*	*4%*	*25*	*8%*	*61*	*7%*
Defaulted loans	107	40%	95	37%	121	38%	323	39%
- Past due greater than 90 days but not impaired	*46*	*17%*	*41*	*16%*	*60*	*19%*	*147*	*18%*
- Impaired	*61*	*23%*	*54*	*21%*	*61*	*19%*	*176*	*21%*
Total	**266**	**100%**	**255**	**100%**	**318**	**100%**	**839**	**100%**

31 December 2014 Risk profile of Retail UK mortgage loan book (before impairment provisions)	Standard		Buy to let		Self certified		Total	
	£m	%	£m	%	£m	%	£m	%
Neither past due nor impaired	8,709	95%	7,449	95%	2,436	84%	18,594	94%
1-90 days past due but not impaired	273	3%	205	3%	313	11%	791	4%
Past due greater than 90 days but not impaired	68	1%	59	1%	79	3%	206	1%
Impaired	64	1%	65	1%	60	2%	189	1%
Total	9,114	100%	7,778	100%	2,888	100%	19,780	100%
Non-performing loans								
Probationary mortgages	180	57%	191	60%	233	63%	604	60%
- Self-cure	*154*	*49%*	*181*	*57%*	*206*	*56%*	*541*	*54%*
- Forborne	*26*	*8%*	*10*	*3%*	*27*	*7%*	*63*	*6%*
Defaulted loans	132	43%	124	40%	139	37%	395	40%
- Past due greater than 90 days but not impaired	*68*	*22%*	*59*	*19%*	*79*	*21%*	*206*	*21%*
- Impaired	*64*	*21%*	*65*	*21%*	*60*	*16%*	*189*	*19%*
Total	312	100%	315	100%	372	100%	999	100%

The above tables illustrate that £19.5 billion or 95% of the total Retail UK mortgage loan book at 31 December 2015 was classified as ‘neither past due nor impaired’ compared to £18.6 billion or 94% at 31 December 2014.

The ‘1-90 days past due but not impaired’ category amounted to £0.7 billion or 3% of the total Retail UK mortgage loan book at 31 December 2015 compared to £0.8 billion or 4% at 31 December 2014.

The past due greater than 90 days but not impaired category amounted to £0.1 billion or 1% of the total Retail UK mortgage loan book at 31 December 2015 compared to £0.2 billion or 1% at 31 December 2014.

The past due greater than 90 days but not impaired Standard mortgages reduced to £46 million at 31 December 2015 from £68 million at 31 December 2014.

Book composition (continued)

Risk profile (continued)

The past due greater than 90 days but not impaired Buy to let mortgages reduced from £59 million at 31 December 2014 to £41 million at 31 December 2015 reflecting the effectiveness of collection activity supported by economic conditions.

The past due greater than 90 days but not impaired Self certified mortgages decreased to £60 million at 31 December 2015 compared to £79 million at 31 December 2014.

The impaired category amounted to £0.2 billion or 1% of the total Retail UK mortgage loan book at 31 December 2015 compared to £0.2 billion or 1% at 31 December 2014.

Impaired Standard mortgages reduced to £61 million at 31 December 2015 from £64 million at 31 December 2014.

Impaired Buy to let mortgages reduced from £65 million at 31 December 2014 to £54 million at 31 December 2015 reflecting the effectiveness of collection activity supported by economic conditions.

Impaired Self certified mortgages increased to £61 million at 31 December 2015 compared to £60 million at 31 December 2014.

Total non-performing mortgages reduced significantly by £0.2 billion or 16% to £0.8 billion at 31 December 2015 (31 December 2014: £1.0 billion), reflecting the effectiveness of the Group's operating infrastructure and mortgage collections activity supported by improving economic conditions.

Within this, total defaulted loans reduced by £72 million to £0.3 billion at 31 December 2015 from £0.4 billion at 31 December 2014.

The above table 3a illustrates, that at 31 December 2015, 95% of the total Retail UK mortgage book was classified as performing, compared to 94% at 31 December 2014.

There was a reduction in Standard mortgages Non-performing loans in the year ended 31 December 2015, decreasing to £266 million from £312 million at 31 December 2014.

Non-performing Self certified mortgages reduced from £372 million at 31 December 2014 to £318 million at 31 December 2015.

Non-performing Buy to let mortgages reduced from £315 million at 31 December 2014 to £255 million at 31 December 2015.

These reductions reflect the Group's continuing activity to resolve issues of non-payment through close co-operation with borrowers to reach an acceptable and sustainable outcome.

Book composition (continued)

Arrears profile

TABLE: 3b *(unaudited)*

Mortgage arrears - Greater than 90 days past due (number of accounts)	**31 December 2015 %**	30 June 2015 %	31 December 2014 %
Standard mortgages	0.93%	1.06%	1.20%
Buy to let mortgages	0.94%	1.05%	1.22%
Self certified mortgages	3.30%	3.31%	3.48%

Mortgage arrears - Greater than 90 days past due (value)	**31 December 2015 %**	30 June 2015 %	31 December 2014 %
Standard mortgages	0.73%	1.15%	1.14%
Buy to let mortgages	1.15%	0.99%	1.43%
Self certified mortgages	4.32%	4.41%	4.55%

Data published by the Council Mortgage Lenders (CML) for September 2015 indicates that the proportion of the Retail UK mortgage book in default (defined for CML purposes as greater than 90 days but excluding possessions and receivership cases) remains below the UK industry average of 1.17% across all segments (Retail UK equivalent: 1.03%).

Loan to value profiles - total loans

TABLE: 3c

31 December 2015	**Standard**		**Buy to let**		**Self certified**		**Total Retail UK mortgage portfolio**	
Loan to value (LTV) ratio of total Retail UK mortgages	**£m**	**%**	**£m**	**%**	**£m**	**%**	**£m**	**%**
Less than 50%	2,253	22%	2,057	27%	615	24%	4,925	24%
51% to 70%	3,462	33%	2,940	39%	951	37%	7,353	36%
71% to 80%	2,277	22%	1,291	17%	434	17%	4,002	19%
81% to 90%	1,478	14%	852	11%	339	13%	2,669	13%
91% to 100%	572	6%	374	5%	195	8%	1,141	6%
Subtotal	**10,042**	**97%**	**7,514**	**99%**	**2,534**	**99%**	**20,090**	**98%**
101% to 120%	227	2%	25	1%	18	1%	270	1%
121% to 150%	35	-	5	-	11	-	51	-
Greater than 150%	51	1%	18	-	7	-	76	1%
Subtotal	**313**	**3%**	**48**	**1%**	**36**	**1%**	**397**	**2%**
Total	**10,355**	**100%**	**7,562**	**100%**	**2,570**	**100%**	**20,487**	**100%**
Weighted average LTV[1]:								
Stock of Retail UK mortgages at year end[1]		65%		61%		64%		63%
New Retail UK mortgages during year[1]		70%		62%		n/a		69%

[1] *Weighted average LTVs are calculated at a property level and reflect the average of property values in proportion to the outstanding mortgage.*

Book composition (continued)

Loan to value profiles - total loans (continued)

31 December 2014 Loan to value (LTV) ratio of total Retail UK mortgages	Standard £m	Standard %	Buy to let £m	Buy to let %	Self certified £m	Self certified %	Total Retail UK mortgage portfolio £m	Total Retail UK mortgage portfolio %
Less than 50%	1,823	20%	1,557	20%	467	16%	3,847	19%
51% to 70%	2,848	31%	3,218	41%	1,077	38%	7,143	36%
71% to 80%	1,943	21%	1,389	18%	585	20%	3,917	20%
81% to 90%	1,436	16%	965	13%	466	16%	2,867	15%
91% to 100%	647	7%	461	6%	222	8%	1,330	7%
Subtotal	8,697	95%	7,590	98%	2,817	98%	19,104	97%
101% to 120%	313	3%	157	2%	51	2%	521	3%
121% to 150%	60	1%	22	-	11	-	93	-
Greater than 150%	44	1%	9	-	9	-	62	-
Subtotal	417	5%	188	2%	71	2%	676	3%
Total	9,114	100%	7,778	100%	2,888	100%	19,780	100%
Weighted average LTV[1]:								
Stock of Retail UK mortgages at year end[1]		67%		65%		68%		66%
New Retail UK mortgages during year[1]		73%		62%		n/a		73%

[1] *Weighted Average LTVs are calculated at a property level and reflect the average of property values in proportion to the outstanding mortgage.*

The table above sets out the weighted average indexed LTV for the total Retail UK mortgage loan book, which was 63% at 31 December 2015, 65% for Standard mortgages, 64% for Self certified mortgages and 61% for Buy to let mortgages. The weighted average LTV for new Residential mortgages written during the year ended 31 December 2015 was 69%, 70% for Standard mortgages and 62% for Buy to let mortgages.

Property values are determined by reference to the original or latest property valuations held, indexed to the published 'Nationwide UK House Price Index'.

At 31 December 2015, £20.1 billion or 98% of the Retail UK mortgage book was in positive equity (year ended 31 December 2014: £19.1 billion or 97%), comprising £10.0 billion or 97% of Standard mortgages (year ended 31 December 2014: £8.7 billion or 95%), £7.5 billion or 99% of Buy to let mortgages (year ended 31 December 2014: £7.6 billion or 98%) and £2.5 billion or 99% of Self certified mortgages (year ended 31 December 2014: £2.8 billion or 98%). This improvement reflects the upward movement in house prices in the year with house prices increasing by 4.5% on average across the UK, with significant regional variances, together with capital reductions and principal repayments.

At 31 December 2015, the total calculated negative equity in the Retail UK mortgage book was £34 million, which comprised £28 million (82%) related to mortgages classified as 'neither past due nor impaired'.

Book composition (continued)

Loan to value profiles - Non-performing loans

TABLE: 3d

31 December 2015

Loan to value (LTV) ratio of total Retail UK mortgages - Non-performing loans	**Standard £m**	**Standard %**	**Buy to let £m**	**Buy to let %**	**Self certified £m**	**Self certified %**	**Total £m**	**Total %**
Less than 50%	70	26%	46	18%	50	16%	166	20%
51% to 70%	74	28%	82	32%	107	33%	263	31%
71% to 80%	38	14%	46	18%	59	19%	143	17%
81% to 90%	32	12%	49	19%	53	17%	134	16%
91% to 100%	28	11%	27	11%	39	12%	94	11%
Subtotal	**242**	**91%**	**250**	**98%**	**308**	**97%**	**800**	**95%**
101% to 120%	18	7%	4	2%	6	2%	28	3%
121% to 150%	4	1%	1	-	3	1%	8	1%
Greater than 150%	2	1%	-	-	1	-	3	1%
Subtotal	**24**	**9%**	**5**	**2%**	**10**	**3%**	**39**	**5%**
Total	**266**	**100%**	**255**	**100%**	**318**	**100%**	**839**	**100%**

31 December 2014

Loan to value (LTV) ratio of total Retail UK mortgages - Non-performing loans	Standard £m	Standard %	Buy to let £m	Buy to let %	Self certified £m	Self certified %	Total £m	Total %
Less than 50%	71	23%	39	12%	33	9%	143	14%
51% to 70%	77	25%	107	34%	113	30%	297	30%
71% to 80%	49	16%	57	18%	83	22%	189	19%
81% to 90%	45	14%	57	18%	76	20%	178	18%
91% to 100%	36	12%	38	12%	47	13%	121	12%
Subtotal	278	90%	298	94%	352	94%	928	93%
101% to 120%	23	7%	14	5%	14	4%	51	5%
121% to 150%	7	2%	3	1%	4	1%	14	1%
Greater than 150%	4	1%	0	0%	2	1%	6	1%
Subtotal	34	10%	17	6%	20	6%	71	7%
Total	312	100%	315	100%	372	100%	999	100%

The tables above illustrate the indexed loan to value ratios at the applicable reporting date for non-performing Retail UK mortgages.

The ratios reflect the application of the Nationwide Building Society house price index at the applicable reporting date to the portfolio. Of the non-performing Retail UK standard mortgages £242 million or 91% are in positive equity (31 December 2014: £278 million or 90%) while £24 million or 9% are in negative equity at 31 December 2015 (31 December 2014: £34 million or 10%).

Of the non-performing Retail UK self-certified mortgages £308 million or 97% are in positive equity (31 December 2014: £352 million or 94%) while £10 million or 3% are in negative equity at 31 December 2015 (31 December 2014: £20 million or 6%).

Of the non-performing Retail UK Buy to let mortgages £250 million or 98% are in positive equity (31 December 2014: £298 million or 94%) while £5 million or 2% are in negative equity at 31 December 2015 (31 December 2014: £17 million or 6%).

Asset quality

Composition and impairment

The risk profile of the Group's loans and advances to customers at both 31 December 2015 and 31 December 2014 is outlined in the following tables.

TABLE: 4a

31 December 2015 **Retail UK mortgages**	**Loan volumes £m**	**Non-performing loans[1] £m**	**Non-performing loans as % of advances %**	**Impairment provisions £m**	**Impairment provisions as % of non-performing loans %**
Total Retail UK mortgages					
Standard mortgages	10,355	266	2.6%	29	11%
Buy to let mortgages	7,562	255	3.4%	24	9%
Self certified mortgages	2,570	318	12.4%	19	6%
Total	**20,487**	**839**	**4.1%**	**72**	**9%**
of which;					
Forborne Retail UK mortgages					
Standard mortgages	84	32	38.1%	1	3%
Buy to let mortgages	46	12	26.1%	-	-
Self certified mortgages	64	32	50.0%	1	3%
Total	**194**	**76**	**39.2%**	**2**	**3%**

31 December 2014 Retail UK mortgages	Loan volumes £m	Non-performing loans[1] £m	Non-performing loans as % of advances %	Impairment provisions £m	Impairment provisions as % of non-performing loans %
Total Retail UK mortgages					
Standard mortgages	9,114	312	3.4%	32	10%
Buy to let mortgages	7,778	315	4.0%	34	11%
Self certified mortgages	2,888	372	12.9%	26	7%
Total	19,780	999	5.1%	92	9%
of which;					
Forborne Retail UK mortgages					
Standard mortgages	93	34	36.6%	1	3%
Buy to let mortgages	46	12	26.1%	-	4%
Self certified mortgages	68	35	51.5%	1	3%
Total	207	81	39.1%	2	3%

[1] *The NPL classification does not indicate that the terms of the forbearance measure are not being met.*

Retail UK mortgages were £20.5 billion at 31 December 2015 compared to £19.8 billion at 31 December 2014. The increase of £0.7 billion or 4% reflects planned growth in new business generation, offset by continuing attrition of the book. Non-performing Retail UK mortgages were £839 million at 31 December 2015 compared to £999 million at 31 December 2014, attributable to decreases in Standard mortgages of £46 million, Self certified mortgages of £54 million and Buy to let mortgages of £60 million compared to 31 December 2014. The overall impairment provision coverage ratio on the non-performing Retail UK mortgages book has remained unchanged at 9% (31 December 2014: 9%).

Asset quality (continued)

Composition and impairment (continued)

The tables below summarise the composition, defaulted loans and total impairment provisions of the Retail UK mortgage portfolio.

TABLE: 4b

31 December 2015 **Retail UK mortgages**	**Loan volumes £m**	**Defaulted loans[1] £m**	**Defaulted loans as % of advances %**	**Impairment provisions £m**	**Impairment provisions as % of defaulted loans %**
Total Retail UK mortgages					
Standard mortgages	10,355	107	1.0%	29	27%
Buy to let mortgages	7,562	95	1.3%	24	25%
Self certified mortgages	2,570	121	4.7%	19	16%
Total	**20,487**	**323**	**1.6%**	**72**	**22%**
of which;					
Forborne Retail UK mortgages					
Standard mortgages	84	6	7.1%	1	14%
Buy to let mortgages	46	2	4.3%	-	28%
Self certified mortgages	64	7	10.9%	1	14%
Total	**194**	**15**	**7.7%**	**2**	**16%**

31 December 2014 Retail UK mortgages	Loan volumes £m	Defaulted loans[1] £m	Defaulted loans as % of advances %	Impairment provisions £m	Impairment provisions as % of defaulted loans %
Total Retail UK mortgages					
Standard mortgages	9,114	132	1.4%	32	24%
Buy to let mortgages	7,778	125	1.6%	34	27%
Self certified mortgages	2,888	138	4.8%	26	19%
Total	19,780	395	2.0%	92	23%
of which;					
Forborne Retail UK mortgages					
Standard mortgages	93	8	8.6%	1	12%
Buy to let mortgages	46	2	4.3%	1	23%
Self certified mortgages	68	9	13.2%	1	20%
Total	207	19	9.2%	3	17%

[1] The ‘defaulted loans’ classification includes both accounts which were classified as ‘defaulted loans’ prior to the forbearance measure being put in place and also those loans which have moved from ‘non-defaulted’ loans during the year. The ‘defaulted loans’ classification does not indicate that the terms of the forbearance measure are not being met.

Asset quality (continued)

Properties in possession

At 31 December 2015, the Group had possession of properties held as security as follows:

TABLE: 5a

Properties in possession Retail UK mortgages	31 December 2015 Number of properties in possession at balance sheet date	31 December 2015 Balance outstanding before impairment provisions £m	31 December 2014 Number of properties in possession at balance sheet date	31 December 2014 Balance outstanding before impairment provisions £m
Standard mortgages	25	4	44	6
Buy to let mortgages	37	4	61	7
Self certified mortgages	25	6	34	7
Total residential properties in possession	**87**	**14**	**139**	**20**

Disposals of properties in possession

TABLE: 5b

Disposals of properties in possession Retail UK mortgages	31 December 2015 Number of disposals during the year	31 December 2015 Balance outstanding after impairment provisions £m	31 December 2014 Number of disposals during the year	31 December 2014 Balance outstanding after impairment provisions £m
Standard mortgages	106	10	154	15
Buy to let mortgages	135	11	242	20
Self certified mortgages	69	10	121	18
Total disposals of properties in possession	**310**	**31**	**517**	**53**

During the year ended 31 December 2015, the Group disposed of 310 properties (for the year ended 31 December 2014: 517 properties disposed of). The total contracted disposal proceeds were adequate to cover the balance outstanding after provisions.

For the year ended 31 December 2015, the proceeds from disposals of Standard mortgages was £12 million (year ended 31 December 2014: £18 million).

For the year ended 31 December 2015, the proceeds from disposals of Buy to let mortgages was £12 million (year ended 31 December 2014: £23 million).

For the year ended 31 December 2015, the proceeds from disposals of Self certified mortgages was £11 million (year ended 31 December 2014: £20 million).

Asset quality (continued)

Forbearance measures

Mortgage forbearance
The Group continues to offer a range of forbearance measures for customers in arrears or facing potential arrears on contracted mortgage repayments, in order to arrange, where viable, sustainable short-term or longer term repayment solutions as appropriate.

Forbearance occurs when a borrower is granted a temporary or permanent agreed change to the original contractual terms of a mortgage loan ('forbearance measure'), for reasons relating to the actual or apparent financial stress or distress of that borrower. If the agreed change to a mortgage loan granted to a borrower is not related to the actual or apparent financial stress or distress of that borrower, forbearance has not occurred. A mortgage loan which has an active 'forbearance measure' is a 'forborne' mortgage.

The Group has a well-established operating infrastructure in place to assess and, where appropriate, implement sustainable forbearance measures for customers. Forbearance requests are assessed on a case-by-case basis, taking due consideration of the individual circumstances and risk profile of the borrower to ensure, where possible, the most suitable and sustainable repayment arrangement is put in place.

The forbearance strategies adopted by the Group seek to maximise recoveries, while providing suitable and sustainable restructure options that are supportive of customers in challenged circumstances.

A forbearance request, by the borrower, will always be a trigger event for the Group to undertake an assessment of the customer's financial circumstances, ability to repay and impairment status. This assessment will determine the most appropriate course of action ensuring, where possible, the most suitable and sustainable repayment arrangement is put in place. Impaired forborne loans carry a specific provision. Probability of Default factors for non-impaired forborne loans are empirically calculated, resulting in an IBNR provision.

It is the Group's policy to review the effectiveness or otherwise of forbearance measures over the lifetime of those measures.

A forbearance measure is considered to be effective where the risk profile of the borrower that is subject to the forbearance measure stabilises or improves over the measured time period, resulting in an improved outcome for the Group and the customer.

The effectiveness of forbearance is considered taking account of:
- the strategy that is being followed is with a view to maximising recovery for the Group and providing a suitable option for the customer;
- the intended outcome of the particular measure;
- the nature of the measure being granted; and
- the period over which the measure is granted.

The nature and type of forbearance measures include:
- full interest: (step up to principal and interest) on the principal balance, on a temporary or longer term basis, with the principal balance unchanged;
- term extension: the original term of the mortgage is extended and the instalment is re-calculated to clear the outstanding mortgage debt over the remaining term;
- capitalisation of arrears: the arrears are added to the principal outstanding on the mortgage and the instalment is recalculated to clear the outstanding mortgage debt over the remaining term; and
- other: comprising primarily a combination of forbearance measures and an element of temporary payment suspensions.

During the year ended 31 December 2015, the total number of loans entering forbearance was 134 with balances of £15 million with a total of 246 loans £27 million of balances exiting forbearance. Of the loans exiting forbearance 211 repaid their loan in full or in part.

Asset quality (continued)

Forbearance measures (continued)

The table below sets out Retail UK mortgages (before impairment provisions) forborne loan stock[1] subject to active forbearance measures at 31 December 2015.

TABLE: 6a

31 December 2015	Performing loans		Non-performing loans[2,3]		All loans	
Formal forbearance measures - Retail UK mortgages (before impairment provisions)	**Balance £m**	**Number of accounts[4]**	**Balance £m**	**Number of accounts[4]**	**Balance £m**	**Number of accounts[4]**
Standard mortgages						
Full interest	33	294	27	253	60	547
Term extension	15	215	3	50	18	265
Capitalisation of arrears	3	20	1	6	4	26
Other	1	12	1	11	2	23
Total	**52**	**541**	**32**	**320**	**84**	**861**
Buy to let						
Full Interest	13	140	7	69	20	209
Term extension	9	86	1	11	10	97
Capitalisation of arrears	12	81	4	32	16	113
Other	-	3	-	2	-	5
Total	**34**	**310**	**12**	**114**	**46**	**424**
Self certified						
Full Interest	17	127	26	195	43	322
Term extension	5	33	1	4	6	37
Capitalisation of arrears	9	34	4	22	13	56
Other	1	5	1	9	2	14
Total	**32**	**199**	**32**	**230**	**64**	**429**
Total						
Full Interest	63	561	60	517	123	1,078
Term extension	29	334	5	65	34	399
Capitalisation of arrears	24	135	9	60	33	195
Other	2	20	2	22	4	42
Total	**118**	**1,050**	**76**	**664**	**194**	**1,714**

[1] *Comprises the current stock position of forbearance measures (agreed since January 2010), for example, where a mortgage loan is granted a full interest forbearance measure for a defined period of time and this measure has expired prior to 31 December 2015, this mortgage loan is not included in the stock of current active forbearance measures.*
[2] *The NPL classification does not indicate that the terms of the forbearance measure are not being met.*
[3] *Non-performing loans comprise defaulted loans together with probationary mortgages as described on pages 83 and 84 in the credit risk section of the Risk Management Report.*
[4] *The number of accounts does not equate to either the number of customers or the number of properties.*

Asset quality (continued)

Forbearance measures (continued)

31 December 2014	Performing loans		Non-performing loans[2,3]		All loans	
Formal forbearance measures - Retail UK mortgages (before impairment provisions)	Balance £m	Number of accounts[4]	Balance £m	Number of accounts[4]	Balance £m	Number of accounts[4]
Standard mortgages						
Full Interest	41	362	29	276	70	638
Term extension	14	230	3	43	17	273
Capitalisation of arrears	3	21	2	8	5	29
Other	1	11	-	4	1	15
Total	59	624	34	331	93	955
Buy to let						
Full Interest	14	158	8	75	22	233
Term extension	8	68	1	10	9	78
Capitalisation of arrears	12	82	3	26	15	108
Other	-	3	-	1	-	4
Total	34	311	12	112	46	423
Self certified						
Full Interest	20	145	28	207	48	352
Term extension	3	24	-	3	3	27
Capitalisation of arrears	9	34	6	26	15	60
Other	1	3	1	6	2	9
Total	33	206	35	242	68	448
Total						
Full Interest	75	665	65	558	140	1,223
Term extension	25	322	4	56	29	378
Capitalisation of arrears	24	137	11	60	35	197
Other	2	17	1	11	3	28
Total	126	1,141	81	685	207	1,826

[1] Comprises the current stock position of forbearance measures (agreed since January 2010), for example, where a mortgage loan is granted a full interest forbearance measure for a defined period of time and this measure has expired prior to 31 December 2014, this mortgage loan is not included in the stock of current active forbearance measures.
[2] The NPL classification does not indicate that the terms of the forbearance measure are not being met.
[3] Non-performing loans comprise defaulted loans together with probationary mortgages as described on pages 83 and 84 in the credit risk section of the Risk Management Report.
[4] The number of accounts does not equate to either the number of customers or the number of properties.

Asset quality (continued)

Forbearance measures (continued)

The total number of accounts has decreased from 1,826 accounts at 31 December 2014 to 1,714 accounts at 31 December 2015. The balances of accounts in forbearance have decreased from £207 million at 31 December 2014 to £194 million at 31 December 2015. For Standard mortgages 861 accounts or £84 million are in forbearance at 31 December 2015 (31 December 2014: 955 accounts or £93 million). For Buy to let mortgages, 424 accounts or £46 million are in forbearance at 31 December 2015 (31 December 2014: 423 accounts or £46 million). For Self certified mortgages, 429 accounts or £64 million are in forbearance at 31 December 2015 (31 December 2014: 448 accounts or £68 million).

At 31 December 2015, £123 million or 1,078 Retail UK Residential mortgage accounts in forbearance were subject to interest only payments, compared to £140 million or 1,223 accounts at 31 December 2014.

At 31 December 2015, £34 million or 399 Retail UK Residential mortgage accounts in forbearance were subject to term extension, compared to £29 million or 378 accounts at 31 December 2014. These loans may have been granted a temporary term extension pending sale of the property or maturity of a repayment vehicle.

At 31 December 2015, £33 million or 195 Retail UK Residential mortgage accounts in forbearance were subject to capitalisation of arrears, compared to £35 million or 197 accounts at 31 December 2014.

In addition to the forbearance pertaining to the Buy to let mortgages, the Group has a strategy to appoint fixed charge receivers. At 31 December 2015, there were 120 properties where a Fixed Charge Receiver had been appointed or approved, compared to 213 properties at 31 December 2014.

Asset quality (continued)

Forbearance measures (continued)

The following table shows the movement in the stock of forborne Retail UK mortgages (before impairment provisions) during the year ended 31 December 2015.

TABLE: 6b

Reconciliation of forborne loan stock by performing / non-performing status - Retail UK mortgages (before impairment provisions)	Standard mortgages Balance £m	Standard mortgages Number of accounts[1]	Buy to let Balance £m	Buy to let Number of accounts[1]	Self certified Balance £m	Self certified Number of accounts[1]	All loans Balance £m	All loans Number of accounts[1]
All loans								
Opening balance at 1 January 2015*	**93**	**955**	**46**	**423**	**68**	**448**	**207**	**1,826**
New forbearance extended	8	73	4	41	3	20	15	134
Exited forbearance								
- Improved to or remained in performing	(2)	(18)	-	(1)	(1)	(7)	(3)	(26)
- Improved / stabilised and remained in non-performing	-	(4)	-	(2)	-	(2)	-	(8)
- Redemptions, principal repayments and other	(15)	(145)	(4)	(37)	(6)	(30)	(25)	(212)
- Disimproved to or within non-performing	-	-	-	-	-	-	-	-
Transfers within forbearance between performing and Non-performing loans	-	-	-	-	-	-	-	-
Closing balance at 31 December 2015	**84**	**861**	**46**	**424**	**64**	**429**	**194**	**1,714**
Performing loans								
Opening balance at 1 January 2015*	**59**	**624**	**34**	**311**	**33**	**206**	**126**	**1,141**
New forbearance extended	6	58	3	29	2	14	11	101
Exited forbearance								
- Remained in performing	(2)	(18)	-	(1)	(1)	(6)	(3)	(25)
- Redemptions, principal repayments and other	(10)	(111)	(3)	(28)	(2)	(14)	(15)	(153)
- Disimproved to non-performing	-	-	-	-	-	-	-	-
Transfers within forbearance between performing and Non-performing loans	(1)	(12)	-	(1)	-	(1)	(1)	(14)
Closing balance at 31 December 2015	**52**	**541**	**34**	**310**	**32**	**199**	**118**	**1,050**
Non-performing loans								
Opening balance at 1 January 2015*	**34**	**331**	**12**	**112**	**35**	**242**	**81**	**685**
New forbearance extended	2	15	1	12	1	6	4	33
Exited forbearance								
- Improved to performing	-	-	-	-	-	(1)	-	(1)
- Improved / stabilised and remained in non-performing	-	(4)	-	(2)	-	(2)	-	(8)
- Redemptions, principal repayments and other	(5)	(34)	(1)	(9)	(4)	(16)	(10)	(59)
- Disimproved and remained in non-performing	-	-	-	-	-	-	-	-
Transfers within forbearance between performing and Non-performing loans	1	12	-	1	-	1	1	14
Closing balance at 31 December 2015	**32**	**320**	**12**	**114**	**32**	**230**	**76**	**664**

* *In line with the revised asset quality definitions set out on pages 83 and 84 of the Risk Management Report, the table above has been prepared using 'performing' and 'non-performing' classifications. Therefore, opening balances at 1 January 2015 are not comparable with information in table 6b in the Group's Annual Report for the year ended 31 December 2014, which used a 'defaulted' classification.*

[1] *The number of accounts does not equate to the number of customers or the number of properties.*

Asset quality (continued)

Forbearance measures (continued)

The table on the previous page details the movement in forborne accounts and balances between 1 January 2015 and 31 December 2015 and illustrates the following:

- Those accounts for which new forbearance measures were put in place during the year;
- Those accounts which exited forbearance measures during the year, either:
  - Improved to or remained in performing status;
  - Improved / stabilised and remained in non-performing status;
  - Redeemed (i.e. whereby the outstanding balance has been repaid in full) or balances reduced due to principal repayments (i.e. payments made to reduce the outstanding loan balance on accounts which were in the forbearance stock at 1 January 2015 and remained in forbearance stock at 31 December 2015);
  - Disimproved to or within non-performing status; and
- Those accounts and balances which transferred between performing loans and Non-performing loans but remained in forbearance.

The non-performing loan classification does not indicate that the terms of the forbearance measure have not been met. The performing / non-performing status of accounts which exited forbearance during the year is determined at the date of exit.

A total of 1,714 accounts or £194 million of account balances were in forbearance at 31 December 2015, compared to 1,826 or £207 million at 31 December 2014. Of these, 134 accounts or £15 million new forbearance measures were put in place during the year, of which 101 accounts or £11 million were classified as ‘performing loans’ while 33 accounts were classified as ‘Non-performing loans’. Of those that exited forbearance during the year, 26 accounts or £3 million exited to ‘performing’ status, 8 accounts remained in non-performing with an improved or stabilised status. A reduction in the forbearance stock of 212 accounts relates to redeemed accounts during the year; a reduction of £25 million was due to those redeemed accounts and principal payments during the year.

For Standard mortgages, 861 accounts or £84 million of account balances were in forbearance at 31 December 2015, compared to 955 accounts or £93 million at 31 December 2014.

For Buy to let mortgages, 424 accounts or £46 million of account balances were in forbearance at 31 December 2015, compared to 423 accounts or £46 million at 31 December 2014.

For Self certified mortgages, 429 accounts or £64 million of account balances were in forbearance at 31 December 2015, compared to 448 accounts or £68 million at 31 December 2014.

Asset quality (continued)

Loan to value profiles - forborne loans

TABLE: 7a

31 December 2015

Loan to value (LTV) ratio of forborne Retail UK mortgages	**Standard**		**Buy to let**		**Self certified**		**Total**	
	£m	**%**	**£m**	**%**	**£m**	**%**	**£m**	**%**
Less than 50%	25	30%	15	33%	14	22%	54	28%
51% to 70%	22	26%	14	30%	18	28%	54	28%
71% to 80%	10	12%	6	13%	15	23%	31	16%
81% to 90%	11	13%	7	15%	11	17%	29	15%
91% to 100%	10	12%	4	9%	4	6%	18	9%
Subtotal	**78**	**93%**	**46**	**100%**	**62**	**96%**	**186**	**96%**
101% to 120%	4	5%	-	-	1	2%	5	3%
121% to 150%	1	1%	-	-	-	-	1	-
Greater than 150%	1	1%	-	-	1	2%	2	1%
Subtotal	**6**	**7%**	**-**	**-**	**2**	**4%**	**8**	**4%**
Total	**84**	**100%**	**46**	**100%**	**64**	**100%**	**194**	**100%**

31 December 2014

Loan to value (LTV) ratio of forborne Retail UK mortgages	Standard		Buy to let		Self certified		Total	
	£m	%	£m	%	£m	%	£m	%
Less than 50%	27	29%	11	24%	11	16%	49	24%
51% to 70%	22	24%	18	39%	19	28%	59	29%
71% to 80%	13	14%	5	11%	17	25%	35	17%
81% to 90%	12	13%	7	15%	12	18%	31	15%
91% to 100%	12	13%	3	7%	6	9%	21	10%
Subtotal	86	93%	44	96%	65	96%	195	95%
101% to 120%	5	5%	2	4%	2	3%	9	4%
121% to 150%	1	1%	-	-	-	-	1	-
Greater than 150%	1	1%	-	-	1	1%	2	1%
Subtotal	7	7%	2	4%	3	4%	12	5%
Total	93	100%	46	100%	68	100%	207	100%

The tables above illustrate the indexed loan to value ratios for Retail UK forborne mortgages. The ratios reflect the application of the published Nationwide UK House Price Index at the applicable reporting date on the portfolio, capital reductions, out of course customer payments and movements in forbearance stock.

Of the Retail UK mortgages with active forbearance measures in place £186 million or 96% are in positive equity (31 December 2014: £195 million or 95%) while £8 million or 4% are in negative equity at 31 December 2015 (31 December 2014: £12 million or 5%). 93% of forborne Standard mortgages (31 December 2014: 93%), 100% of forborne Buy to let mortgages (31 December 2014: 96%) and 96% of Self certified mortgages (31 December 2014: 96%) are in positive equity at 31 December 2015.

Asset quality (continued)

Loan to value profiles - non-performing forborne loans

TABLE: 7b

31 December 2015

Loan to value (LTV) ratio of forborne Retail UK mortgages - Non-performing loans	Standard £m	Standard %	Buy to let £m	Buy to let %	Self certified £m	Self certified %	Total £m	Total %
Less than 50%	11	34%	4	33%	6	19%	21	28%
51% to 70%	8	25%	4	33%	10	31%	22	29%
71% to 80%	3	9%	1	8%	7	22%	11	14%
81% to 90%	5	16%	2	18%	6	19%	13	17%
91% to 100%	3	9%	1	8%	2	6%	6	8%
Subtotal	**30**	**93%**	**12**	**100%**	**31**	**97%**	**73**	**96%**
101% to 120%	2	7%	-	-	-	-	2	3%
121% to 150%	-	-	-	-	-	-	-	-
Greater than 150%	-	-	-	-	1	3%	1	1%
Subtotal	**2**	**7%**	**-**	**-**	**1**	**3%**	**3**	**4%**
Total	**32**	**100%**	**12**	**100%**	**32**	**100%**	**76**	**100%**

31 December 2014

Loan to value (LTV) ratio of forborne Retail UK mortgages - Non-performing loans	Standard £m	Standard %	Buy to let £m	Buy to let %	Self certified £m	Self certified %	Total £m	Total %
Less than 50%	11	32%	4	33%	5	14%	20	24%
51% to 70%	9	26%	4	33%	9	26%	22	27%
71% to 80%	5	15%	1	9%	9	26%	15	19%
81% to 90%	3	9%	2	17%	7	20%	12	15%
91% to 100%	4	12%	-	-	3	9%	7	9%
Subtotal	32	94%	11	92%	33	95%	76	94%
101% to 120%	2	6%	1	8%	1	3%	4	5%
121% to 150%	-	-	-	-	-	-	-	-
Greater than 150%	-	-	-	-	1	2%	1	1%
Subtotal	2	6%	1	8%	2	5%	5	6%
Total	34	100%	12	100%	35	100%	81	100%

The tables above illustrate that the volume of forborne loans which are non-performing has reduced from £81 million as at 31 December 2014 to £76 million as at 31 December 2015 and the volume of non-performing forborne loans which are in negative equity has reduced from £5 million as at 31 December 2014 to £3 million as at 31 December 2015.

Loans and advances to customers (excluding Residential mortgages)

The following disclosures refer to the forbearance of the other loans and advances to customers (excluding Residential mortgages). These provide additional detail and analysis on the quality of the stock of forborne loans.

Asset quality

Forbearance measures

The Group continues to extend significant support to customers who are experiencing current difficulties in meeting their debt servicing commitments by restructuring loans on a sustainable basis using a range of short-term and longer term forbearance solutions.

The range of forbearance solutions employed by the Group varies depending on the individual circumstances of the customer, and may result in an amendment to the timing of the contractual cash flows and / or an amendment to the other terms of a loan. Typically, a breach or expected breach of covenants is the first early indication of a borrower‘s actual or potential difficulty with servicing debt commitments. Therefore adjustment, non-enforcement or waiver of covenant(s) is frequently an important constituent part of a resolution strategy agreed with a customer, particularly in loan portfolios where covenants are a standard feature of facility agreements. These ‘covenant forbearance’ arrangements (for example, a waiver of a loan-to-value covenant breach) are unlikely, of themselves, to result in an impact to the timing of contractual cash flows. Other forbearance arrangements are more likely to have a direct impact on the timing of cash flows.

Forbearance will always be a trigger event for the Group to undertake an assessment of the customer’s financial circumstances and ability to repay. This assessment to determine if impairment has occurred and if a specific provision is required will always take place prior to a decision to grant forbearance to the customer. Where a loan is subject to forbearance and no specific provision is required, the loan is reported as forborne. However, where a specific provision is required, the loan is reported as impaired and is no longer reported as forborne.

Forbearance effectiveness
It is the Group’s policy to measure the effectiveness or otherwise of forbearance measures over the lifetime of those measures.

A forbearance measure is considered to be effective where the risk profile of the borrower that is subject to the forbearance measure stabilises or improves over the measured time period, resulting in an improved outcome for the Group and for the customer.

The performance of forbearance measures is measured taking account of:
- the strategy that is being followed with the customer with a view to maximising recovery for the Group and providing a suitable option for the customer;
- the intended outcome of the particular measure;
- the nature of the measure being granted; and
- the period over which the measure is granted.

Each business unit within the Group has an operating infrastructure in place to assess and, where appropriate, implement suitable forbearance arrangements. Such arrangements are implemented on either a temporary or a permanent basis. Temporary forbearance occurs where the measure has a specific term and will expire at some point in the future in advance of maturity of the loan. Permanent forbearance occurs where the measure is intended to remain in place for the remainder of the loan term.

The choice of forbearance measure is considered on a case-by-case basis bearing in mind the individual circumstance and risk profile of each borrower.

An exposure is restored to ‘non-forborne’ status for reporting purposes on the expiration date of the forbearance measure.

Asset quality (continued)

Forbearance measures (continued)

The nature and type of forbearance measures include:

- **Term extension:** an arrangement where the original term of the loan is extended, all interest is fully serviced and a revised repayment arrangement is agreed for the principal balance;
- **Adjustment or non-enforcement of covenants:** an arrangement whereby the Group agrees to either waive an actual or expected covenant breach for an agreed period, or adjusts the covenant(s) to reflect the changed circumstances of the borrower;
- **Facilities in breach of terms placed on demand:** an arrangement whereby the Group places a facility in breach of its contractual terms on a demand basis as permitted under the facility agreement rather than enforcing, and pending a more long-term resolution;
- **Reduced payments (full interest):** an arrangement where the borrower pays the full interest on the principal balance, on a temporary or longer term basis, with the principal balance unchanged, rather than repaying some of the principal as required under the original facility agreement;
- **Reduced payments (greater than full interest) incorporating some principal repayments:** a temporary or medium term arrangement where the borrower pays the full interest due plus an element of principal due on the basis that principal payments will increase in the future;
- **Capitalisation of arrears:** an arrangement whereby arrears are added to the principal balance, effectively clearing the arrears, with either the repayments or the original term of the loan adjusted accordingly to accommodate the increased principal balance; and
- **Other:** Additional, less frequently applied, forbearance arrangements include short-term / temporary payment suspensions.

Asset quality (continued)

Forbearance measures (continued)

At 31 December 2015, the stock of forborne other loans and advances to customers (excluding Residential mortgages), analysed by forbearance type is as follows:

TABLE: 1 *(unaudited)*

Formal forbearance measures - Loans and advances to customers (excluding Residential mortgages) (before impairment provisions)	2015 Performing loans[1] balance €m	2015 Non-performing loans[2] balance €m	2015 Total loans balance €m	2014 Performing loans[1] balance €m	2014 Non-performing loans[2] balance €m	2014 Total loans balance €m
Republic of Ireland SME						
Term extension	584	67	651	544	72	616
Adjustment or non-enforcement of covenants	90	-	90	111	-	111
Facilities in breach of terms placed on demand	4	16	20	6	25	31
Reduced payment (full interest)	76	8	84	150	19	169
Reduced payment (greater than full interest)	172	21	193	203	23	226
Capitalisation of arrears	16	5	21	30	4	34
Other	11	4	15	31	5	36
Total	**953**	**121**	**1,074**	**1,075**	**148**	**1,223**
UK SME						
Term extension	95	4	99	79	13	92
Adjustment or non-enforcement of covenants	46	-	46	53	-	53
Facilities in breach of terms placed on demand	-	-	-	2	3	5
Reduced payment (full interest)	4	-	4	6	-	6
Reduced payment (greater than full interest)	5	-	5	8	-	8
Capitalisation of arrears	-	-	-	-	1	1
Other	140	-	140	132	3	135
Total	**290**	**4**	**294**	**280**	**20**	**300**
Corporate						
Term extension	227	-	227	286	-	286
Adjustment or non-enforcement of covenants	372	-	372	414	26	440
Facilities in breach of terms placed on demand	-	-	-	-	-	-
Reduced payment (full interest)	-	-	-	-	-	-
Reduced payment (greater than full interest)	68	-	68	66	-	66
Capitalisation of arrears	-	-	-	12	-	12
Other	61	-	61	237	-	237
Total	**728**	**-**	**728**	**1,015**	**26**	**1,041**
Investment property						
Term extension	2,464	55	2,519	2,743	144	2,887
Adjustment or non-enforcement of covenants	392	3	395	455	11	466
Facilities in breach of terms placed on demand	49	8	57	149	33	182
Reduced payment (full interest)	69	6	75	83	36	119
Reduced payment (greater than full interest)	142	11	153	201	22	223
Capitalisation of arrears	30	2	32	21	4	25
Other	224	3	227	282	8	290
Total	**3,370**	**88**	**3,458**	**3,934**	**258**	**4,192**

[1] *Performing loans include loans that are neither past due nor impaired and loans that are up to and including 90 days past due. Non-performing loans include only those loans that are greater than 90 days past due but do not require a specific provision. Loans that have a specific provision are classified as impaired and are not included in the non-mortgage forbearance population.*

[2] *NPL's include both accounts which were classified as NPL's prior to the forbearance measure being put in place and those loans which have moved from performing loans during the year. The NPL classification does not indicate that the terms of the forbearance measure are not being met.*

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Asset quality (continued)

Forbearance measures (continued)

Formal forbearance measures - Loans and advances to customers (excluding Residential mortgages) (before impairment provisions)	**2015 Performing loans[1] balance €m**	**2015 Non-performing loans[2] balance €m**	**2015 Total loans balance €m**	2014 Performing loans[1] balance €m	2014 Non-performing loans[2] balance €m	2014 Total loans balance €m
Land and development						
Term extension	101	13	114	135	26	161
Adjustment or non-enforcement of covenants	-	-	-	-	-	-
Facilities in breach of terms placed on demand	5	2	7	2	13	15
Reduced payment (full interest)	12	1	13	13	1	14
Reduced payment (greater than full interest)	1	-	1	7	-	7
Capitalisation of arrears	-	-	-	-	-	-
Other	4	-	4	4	-	4
Total	**123**	**16**	**139**	**161**	**40**	**201**
Consumer						
Term extension	74	-	74	113	-	113
Adjustment or non-enforcement of covenants	-	-	-	-	-	-
Facilities in breach of terms placed on demand	-	-	-	-	-	-
Reduced payment (full interest)	-	-	-	-	-	-
Reduced payment (greater than full interest)	-	-	-	-	-	-
Capitalisation of arrears	2	-	2	-	-	-
Other	-	-	-	-	-	-
Total	**76**	**-**	**76**	**113**	**-**	**113**
Total						
Term extension	3,545	139	3,684	3,900	255	4,155
Adjustment or non-enforcement of covenants	900	3	903	1,033	37	1,070
Facilities in breach of terms placed on demand	58	26	84	159	74	233
Reduced payment (full interest)	161	15	176	252	56	308
Reduced payment (greater than full interest)	388	32	420	485	45	530
Capitalisation of arrears	48	7	55	63	9	72
Other	440	7	447	686	16	702
Total	**5,540**	**229**	**5,769**	**6,578**	**492**	**7,070**

[1] *Performing loans include loans that are neither past due nor impaired and loans that are up to and including 90 days past due. Non-performing loans include only those loans that are greater than 90 days past due but do not require a specific provision. Loans that have a specific provision are classified as impaired and are not included in the non-mortgage forbearance population.*

[2] *NPL's include both accounts which were classified as NPL's prior to the forbearance measure being put in place and those loans which have moved from performing loans during the year. The NPL classification does not indicate that the terms of the forbearance measure are not being met.*

Asset quality (continued)

Forbearance measures (continued)

The Group's other loans and advances to customers (excluding Residential mortgages) at 31 December 2015 were €37.7 billion before impairment provisions (31 December 2014: €38.6 billion), of which €5.8 billion or 15% was classified and reported as forborne (31 December 2014: €7.1 billion or 18%). Property and construction exposures represent 63% of all forborne loans (excluding Residential mortgages) at 31 December 2015, 36% relate to Non-property SME and corporate lending, with Consumer Lending representing just 1% of forborne loans at 31 December 2015. The percentage split of such forborne loans by portfolio has remained broadly consistent with the position at 31 December 2014.

The total volume of forborne loans reduced by €1.3 billion during the year, with reductions experienced across all forbearance measures. This trend is consistent with the impact of the work the Group is doing to support its customers who are in financial difficulty together with an improvement in market conditions and liquidity in the Republic of Ireland.

Further information on the movements in forborne loans during the year is set out later in this section.

Total loans and advances to customers in the **Non-property SME and corporate** portfolio at 31 December 2015 were €21 billion before impairment provisions, of which €2.1 billion or 10% was classified and reported as forborne (31 December 2014: €2.6 billion or 13%). Customers in the Non-property SME and corporate sector have a number of options typically available to deal with adverse trading conditions, particularly in times of depressed economic conditions in their primary markets, such as reducing operating overheads, sourcing new markets, asset sales and renegotiating terms with suppliers, before their ability to continue to meet their debt servicing commitments is at risk.

Within the Non-property SME and corporate portfolio, the total Republic of Ireland SME loans and advances to customers before impairment provisions at 31 December 2015 were €9.3 billion, of which €1.1 billion or 12% was classified and reported as forborne (31 December 2014: €1.2 billion or 13%). Term extension is the primary forbearance measure within the Republic of Ireland SME portfolio, accounting for 61% of forborne loans at 31 December 2015 (31 December 2014: 50%) with reduced payment (greater than full interest) accounting for 18% (31 December 2014: 18%) and a further 8% accounted for by loan covenant amendments / waivers (31 December 2014: reduced payment (full interest) of 14%).

Forbearance resolution strategies for the Group's Republic of Ireland SME lending customers are assessed on a case-by-case basis taking account of the individual customer's circumstances and risk profile. Short-term resolution arrangements are typically implemented in cases where a customer's cash flow difficulties are considered to be only short-term in nature and are expected to improve in the near term due to a change in the customer's operating circumstances. Where cash flow difficulties are considered more long-term, and where all other available options of dealing with adverse trading conditions have been considered, longer term forbearance solutions, such as term extensions, are implemented. The longer term strategies look to potential cash flows over a longer time horizon.

The total **UK SME** loans and advances to customers before impairment provisions at 31 December 2015 were €2.4 billion, of which €0.3 billion or 12% was classified and reported as forborne (31 December 2014: €0.3 billion or 12%). Within the UK SME portfolio, term extension and loan covenant amendments / waivers are the two primary forbearance measures, accounting for a combined 49% of forborne loans at 31 December 2015 (31 December 2014: 48%).

Asset quality (continued)

Forbearance measures (continued)

The total **Corporate** loans and advances to customers before impairment provisions at 31 December 2015 were €9.3 billion, of which €0.7 billion or 8% was classified and reported as forborne (31 December 2014: €1.0 billion or 13%). Loan covenant amendments / waivers account for 51% of forborne loans with term extensions accounting for a further 31% at 31 December 2015 (31 December 2014: 42% and 27% respectively). Covenants are a standard feature of most facilities originated within the corporate lending portfolio given the larger, structured nature of the facilities. Typically, breach of covenant is the first early indication of actual or potential financial difficulties of a borrower and, as such, a waiver or resetting of covenant levels is frequently an important element of any resolution strategy agreed with a borrower to address its new operating circumstances. Where a waiver or resetting of covenants of itself is not sufficient to address a borrower's financial difficulties, and given the relatively shorter term maturity profile of the portfolio, extension of the loan term represents the main alternative solution to assist customers that are experiencing financial difficulties.

In the **Investment property** portfolio, total loans and advances to customers at 31 December 2015 were €11.4 billion before impairment provisions, of which €3.5 billion or 30% was classified and reported as forborne (31 December 2014: €4.2 billion or 33%). Non-performing forborne loans were €0.1 billion (or 3% of total forborne loans) as at 31 December 2015 (31 December 2014: €0.3 billion or 6%). Term extension is the primary forbearance measure within both the RoI and UK Investment property portfolios, accounting for 73% of total forborne loans at 31 December 2015 (31 December 2014: 69%), with covenant amendments / waivers accounting for 11% (31 December 2014: 11%), and reduced payment (greater than full interest) accounting for 4% (31 December 2014: 5%). Given the maturity profile and structuring of the facilities in this portfolio, extending the term of a facility and / or amending or adjusting the covenants are the most common longer term arrangements utilised.

The level of the Group's **Land and development** portfolio classified and reported as forborne, €0.1 billion or 7% at 31 December 2015 (31 December 2014: €0.2 billion or 7%), is reflective of the challenged nature of this sector which has seen significant declines in land values resulting in the majority of the portfolio being already specifically provisioned and therefore reported as 'impaired'.

Total loans and advances to customers in the **Consumer** portfolio at 31 December 2015 were €3.3 billion before impairment provisions, of which €0.1 billion or 2% was classified and reported as forborne (31 December 2014: €0.1 billion or 4%). The €0.1 billion of forborne balances at 31 December 2015 primarily relates to personal loans that have had their term extended as part of a consolidated debt restructure.

Asset quality (continued)

Forbearance measures (continued)

TABLE: 2

31 December 2015

Reconciliation of forborne loan stock by performing / non-performing status[1] - Loans and advances to customers (excluding Residential mortgages) (before impairment provisions)	Non-property SME and corporate			Property and construction			
	Republic of Ireland SME €m	UK SME €m	Corporate €m	Investment property €m	Land and development €m	Consumer €m	All loans €m
All loans							
Opening balance at 1 January 2015	**1,224**	**300**	**1,041**	**4,192**	**201**	**112**	**7,070**
New forbearance extended	164	18	182	178	7	15	564
Exited forbearance							
- Improved to or remained in performing	(33)	-	(103)	(264)	(4)	-	(404)
- Remained in / disimproved to non-performing without specific provision	(17)	(1)	-	(30)	(5)	-	(53)
- Redemptions, principal repayments and other	(185)	(19)	(290)	(520)	(19)	(47)	(1,080)
- Disimproved to non-performing with specific provision	(93)	(5)	(102)	(86)	(38)	(4)	(328)
Transfers within forbearance between performing and Non-performing loans	-	-	-	-	-	-	-
Transfers between sub product class	14	1	-	(12)	(3)	-	-
Closing balance at 31 December 2015	**1,074**	**294**	**728**	**3,458**	**139**	**76**	**5,769**
Performing loans							
Opening balance at 1 January 2015	**1,075**	**280**	**1,015**	**3,934**	**160**	**112**	**6,576**
New forbearance extended	143	17	182	162	7	15	526
Exited forbearance							
- Remained in performing	(32)	-	(103)	(258)	(4)	-	(397)
- Disimproved to non-performing without specific provision	(7)	(1)	-	(15)	(1)	-	(24)
- Redemptions, principal repayments and other	(154)	(19)	(290)	(488)	(17)	(47)	(1,015)
- Disimproved to non-performing with specific provision	(77)	-	(76)	(54)	(27)	(4)	(238)
Transfers within forbearance between performing and Non-performing loans	(10)	12	-	103	7	-	112
Transfers between sub product class	15	1	-	(14)	(2)	-	-
Closing balance at 31 December 2015	**953**	**290**	**728**	**3,370**	**123**	**76**	**5,540**
Non-performing loans							
Opening balance at 1 January 2015	**149**	**20**	**26**	**258**	**41**	**-**	**494**
New forbearance extended	21	1	-	16	-	-	38
Exited forbearance							
- Improved to performing	(1)	-	-	(6)	-	-	(7)
- Remained in non-performing without specific provision	(10)	-	-	(15)	(4)	-	(29)
- Redemptions, principal repayments and other	(31)	-	-	(32)	(2)	-	(65)
- Disimproved to non-performing with specific provision	(16)	(5)	(26)	(32)	(11)	-	(90)
Transfers within forbearance between performing and Non-performing loans	10	(12)	-	(103)	(7)	-	(112)
Transfers between sub product class	(1)	-	-	2	(1)	-	-
Closing balance at 31 December 2015	**121**	**4**	**-**	**88**	**16**	**-**	**229**

[1] *Performing loans include loans that are neither past due nor impaired and loans that are up to and including 90 days past due. Non-performing loans include only those loans that are greater than 90 days past due but do not require a specific provision. Loans that have a specific provision are classified as impaired and are not included in the non-mortgage forbearance population.*

Asset quality (continued)

Forbearance measures (continued)

At 31 December 2015, €5.8 billion of the Group's other loans and advances to customers (excluding Residential mortgages) were classified and reported as forborne. This represented a reduction of €1.3 billion from the level classified and reported as forborne at 31 December 2014.

The reduction in forborne loans during the year reflected the fact that €1.9 billion of forborne loans exited forbearance during the year while €0.6 billion of loans were granted new forbearance during the year.

Term extensions and loan covenant amendments / waivers were the most common principal forbearance measure utilised for new forborne loans during the year. This is consistent with experience in previous years and the nature of the underlying portfolios, which include a large proportion of loans that have shorter term maturities and financial covenants, as part of the facility terms, to facilitate improved credit management of these portfolios.

Of the new forborne loans during the year, €0.18 billion or 32% were from the Group's Corporate portfolio, €0.18 billion or 32% were from the Investment property portfolio and €0.16 billion or 29% were from the Republic of Ireland SME loan portfolio.

Of the loans that exited forbearance during the year, €0.4 billion improved to or remained in performing status. €397 million, or 98% of these loans, had been categorised as performing at 31 December 2015, and, €7 million categorised as non-performing at 31 December 2015 improved to performing. €53 million in forborne loans remained in or dis-improved to non-performing without a specific provision. €30 million or 57% of these loans were in the Investment portfolio.

€1.1 billion of loans exited forbearance during the year due to repayment, redemptions or sales. This reflected the impact of an improvement in market conditions and liquidity in the Group's principal markets during the year. €0.8 billion or 75% of these movements were in the Investment property and Corporate portfolios.

€0.33 billion in forborne loans dis-improved to non-performing with a specific provision, of these €0.1 billion or 27% had been classified as non-performing at 31 December 2015. The Corporate portfolio accounted for 31% of the total, with 28% from Republic of Ireland SME and 26% from Investment property portfolios.

When a specific provision is raised on a forborne loan, the loan ceases to be classified as forborne. It is expected that most loans that ultimately require a specific provision will previously have experienced a breach of loan terms and, in a large proportion of these cases, some element of forbearance will have been granted in order to provide flexibility to both the Group and the borrower to explore the optimum resolution for both parties.

At 31 December 2015, €0.2 billion or 4% of total forborne loans were classified as non-performing (31 December 2014: €0.5 billion or 7%).

Group forbearance disclosures

Risk profile of forborne loans and advances to customers

The Group's total risk profile of loans and advances to customers including held for sale at 31 December 2015 of €90.6 billion is available on page 85 in the asset quality disclosures. Exposures are before provisions for impairment.

The tables below provide an analysis of loans that are 'neither past due nor impaired', 'past due but not impaired' and 'impaired' by asset classification over the following categories: 'non-forborne' and 'forborne'. In the non-mortgage book, where a specific provision is required the exposure is reported as impaired and is not reported as forborne; hence, only IBNR provisions are held against non-mortgage loans that are reported as forborne.

TABLE: 1

31 December 2015 Risk profile of loans and advances to customers including held for sale (before impairment provisions)	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total loans and advances to customers €m	Total loans and advances to customers %
Non-forborne loans and advances to customers						
High quality	45,548	5,473	2,550	2,894	56,465	70%
Satisfactory quality	-	9,122	1,743	155	11,020	14%
Acceptable quality	336	1,328	403	12	2,079	2%
Lower quality but neither past due or impaired	-	285	165	-	450	1%
Neither past due nor impaired	**45,884**	**16,208**	**4,861**	**3,061**	**70,014**	**87%**
Past due but not impaired	1,585	86	86	66	1,823	2%
Impaired	1,712	2,604	4,813	136	9,265	11%
Total non-forborne loans and advances to customers	**49,181**	**18,898**	**9,760**	**3,263**	**81,102**	**100%**
Forborne loans and advances to customers						
High quality	-	35	152	1	188	2%
Satisfactory quality	1,324	309	420	50	2,103	22%
Acceptable quality	953	653	1,190	18	2,814	30%
Lower quality but neither past due or impaired	549	955	1,443	-	2,947	31%
Neither past due nor impaired	**2,826**	**1,952**	**3,205**	**69**	**8,052**	**85%**
Past due but not impaired	409	19	288	7	723	8%
Impaired	489	125	104	-	718	7%
Total forborne loans and advances to customers	**3,724**	**2,096**	**3,597**	**76**	**9,493**	**100%**

Risk profile of forborne loans and advances to customers (continued)

31 December 2014 Risk profile of loans and advances to customers (before impairment provisions)	Residential mortgages[1] €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total loans and advances to customers €m	Total loans and advances to customers %
Non-forborne loans and advances to customers						
High quality	42,961	4,263	1,662	2,428	51,314	65%
Satisfactory quality	-	8,481	1,547	130	10,158	13%
Acceptable quality	383	1,487	447	12	2,329	3%
Lower quality but neither past due or impaired	-	323	190	-	513	-
Neither past due nor impaired	43,344	14,554	3,846	2,570	64,314	81%
Past due but not impaired	2,046	109	204	82	2,441	3%
Impaired	2,230	3,157	6,776	189	12,352	16%
Total non-forborne loans and advances to customers	47,620	17,820	10,826	2,841	79,107	100%
Forborne loans and advances to customers						
High quality	-	36	115	1	152	2%
Satisfactory quality	994	398	648	80	2,120	20%
Acceptable quality	810	811	1,625	19	3,265	31%
Lower quality but neither past due or impaired	467	1,075	1,575	-	3,117	30%
Neither past due nor impaired	2,271	2,320	3,963	100	8,654	83%
Past due but not impaired	538	50	132	13	733	7%
Impaired	554	194	298	-	1,046	10%
Total forborne loans and advances to customers	3,363	2,564	4,393	113	10,433	100%

[1] *In line with the revised asset quality definitions set out on pages 83 and 84, certain comparative figures have been restated.*

Forborne loans and advances to customers classified as ‘neither past due nor impaired’ amounted to €8.1 billion at 31 December 2015 compared to €8.7 billion at 31 December 2014.

Forborne loans and advances to customers classified as ‘past due but not impaired’ remained unchanged at €0.7 billion at 31 December 2015.

Forborne ‘impaired’ loans have reduced to €0.7 billion at 31 December 2015 compared to €1.0 billion at 31 December 2014.

Past due and / or impaired

The Group's total risk profile of loans and advances to customers including held for sale - past due and / or impaired at 31 December 2015 of €12.5 billion is available on page 86 in the asset quality disclosures. Exposures are before provisions for impairment.

The tables below provide an aged analysis of loans 'past due and / or impaired' by asset classification over the following categories: 'non-forborne' and 'forborne'. Amounts arising from operational and / or timing issues that are outside the control of customers are generally excluded. In the non-mortgage book, where a specific provision is required the exposure is reported as impaired and is not reported as forborne; hence, only IBNR provisions are held against non-mortgage loans that are reported as forborne.

TABLE: 2

31 December 2015 **Risk profile of loans and advances to customers including held for sale - past due and / or impaired**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Non-forborne loans and advances to customers					
Past due up to 30 days	443	62	12	39	556
Past due 31 - 60 days	554	19	44	19	636
Past due 61 - 90 days	178	5	30	8	221
Past due greater than 90 days but not impaired	410	-	-	-	410
Past due but not impaired	**1,585**	**86**	**86**	**66**	**1,823**
Impaired	1,712	2,604	4,813	136	9,265
Total non-forborne loans and advances to customers - past due and / or impaired	**3,297**	**2,690**	**4,899**	**202**	**11,088**
Forborne loans and advances to customers					
Past due up to 30 days	142	12	39	2	195
Past due 31 - 60 days	77	5	137	4	223
Past due 61 - 90 days	39	2	112	1	154
Past due greater than 90 days but not impaired	151	-	-	-	151
Past due but not impaired	**409**	**19**	**288**	**7**	**723**
Impaired	489	125	104	-	718
Total forborne loans and advances to customers - past due and / or impaired[1]	**898**	**144**	**392**	**7**	**1,441**

[1] *The 'past due' classification includes both accounts which were classified as 'past due' prior to the forbearance measure being put in place and also those loans which have moved to 'past due' loans during the year. The 'past due' classification does not indicate that the terms of the forbearance measure are not being met.*

Past due and / or impaired (continued)

The Group's total loans and advances to customers - past due and / or impaired of €16.6 billion at 31 December 2014 are analysed below using the following categories: 'non-forborne' and 'forborne'. Exposures are before provisions for impairment.

31 December 2014 Risk profile of loans and advances to customers - past due and / or impaired	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Non-forborne loans and advances to customers					
Past due up to 30 days	514	70	25	50	659
Past due 31 - 60 days	649	22	160	22	853
Past due 61 - 90 days	225	17	19	10	271
Past due greater than 90 days but not impaired	658	-	-	-	658
Past due but not impaired	2,046	109	204	82	2,441
Impaired	2,230	3,157	6,776	189	12,352
Total non-forborne loans and advances to customers - past due and / or impaired	4,276	3,266	6,980	271	14,793
Forborne loans and advances to customers					
Past due up to 30 days	129	23	36	5	193
Past due 31 - 60 days	79	15	82	6	182
Past due 61 - 90 days	46	12	14	2	74
Past due greater than 90 days but not impaired	284	-	-	-	284
Past due but not impaired	538	50	132	13	733
Impaired	554	194	298	-	1,046
Total forborne loans and advances to customers - past due and / or impaired[1]	1,092	244	430	13	1,779

[1] *The 'past due' classification includes both accounts which were classified as 'past due' prior to the forbearance measure being put in place and also those loans which have moved to 'past due' loans during the year. The 'past due' classification does not indicate that the terms of the forbearance measure are not being met.*

Forborne loans and advances to customers classified as 'past due and / or impaired' amounted to €1.4 billion or 16% of the Group's forborne loan book at 31 December 2015 compared to €1.8 billion or 17% at 31 December 2014.

Forborne Residential mortgages classified as 'past due and / or impaired' decreased by €0.2 billion from €1.1 billion at 31 December 2014 to €0.9 billion at 31 December 2015.

Forborne Property and construction loans classified as 'past due and / or impaired' remained unchanged at €0.4 billion.

Forborne Non-property SME and corporate loans classified as 'past due and / or impaired' decreased by €0.1 billion from €0.2 billion at 31 December 2014 to €0.1 billion at 31 December 2015.

Forborne Consumer loans that are 'past due and / or impaired' are not significant in a Group context at €7 million at 31 December 2015 (31 December 2014: €13 million).

Non-performing loans

TABLE: 3

31 December 2015 **Risk profile of loans and advances to customers including held for sale - Non-performing loans**	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Non-forborne loans and advances to customers					
Probationary mortgages	789				
- Self-cure	*789*				
- Forborne	*-*				
Defaulted loans	2,122	2,604	4,813	136	9,675
- Past due greater than 90 days but not impaired	*410*	*-*	*-*	*-*	*410*
- Impaired	*1,712*	*2,604*	*4,813*	*136*	*9,265*
Total non-forborne loans and advances to customers - non-performing	**2,911**	**2,604**	**4,813**	**136**	**10,464**
Forborne loans and advances to customers					
Probationary mortgages	640				
- Self-cure	*-*				
- Forborne	*640*				
Defaulted loans	640	125	104	-	869
- Past due greater than 90 days but not impaired	*151*	*-*	*-*	*-*	*151*
- Impaired	*489*	*125*	*104*	*-*	*718*
Total forborne loans and advances to customers - non-performing	**1,280**	**125**	**104**	**-**	**1,509**

31 December 2014 Risk profile of loans and advances to customers including held for sale - Non-performing loans	Residential mortgages €m	Non-property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Non-forborne loans and advances to customers					
Probationary mortgages	897				
- Self-cure	*897*				
- Forborne	*-*				
Defaulted loans	2,888	3,157	6,776	189	13,010
- Past due greater than 90 days but not impaired	*658*	*-*	*-*	*-*	*658*
- Impaired	*2,230*	*3,157*	*6,776*	*189*	*12,352*
Total non-forborne loans and advances to customers - non-performing	3,785	3,157	6,776	189	13,907
Forborne loans and advances to customers					
Probationary mortgages	571				
- Self-cure	*-*				
- Forborne	*571*				
Defaulted loans	838	194	298	-	1,330
- Past due greater than 90 days but not impaired	*284*	*-*	*-*	*-*	*284*
- Impaired	*554*	*194*	*298*	*-*	*1,046*
Total forborne loans and advances to customers - non-performing	1,409	194	298	-	1,901

Impairment charges / (reversals) on forborne loans and advances to customers

The total impairment charge on loans and advances to customers for the year ended 31 December 2015 was €296 million (see page 81 in the Credit risk disclosures). Of this, the impairment reversal (net) on forborne loans amounted to €147 million as set out in the table below:

TABLE: 4

31 December 2015 **Impairment charges / (reversals) on forborne loan and advances Composition**	**Specific charge individually and collectively assessed €m**	**Incurred but not reported €m**	**Total impairment charge on forborne loans €m**
Residential mortgages	(50)	(67)	(117)
- Retail Ireland	*(49)*	*(67)*	*(116)*
- Retail UK	*(1)*	*-*	*(1)*
Non-property SME and corporate	-	(9)	(9)
- Republic of Ireland SME	*-*	*(4)*	*(4)*
- UK SME	*-*	*(1)*	*(1)*
- Corporate	*-*	*(4)*	*(4)*
Property and construction	-	(19)	(19)
- Investment	*-*	*(18)*	*(18)*
- Land and development	*-*	*(1)*	*(1)*
Consumer	-	(2)	(2)
Total Impairment charge / (reversal) on forborne loans	**(50)**	**(97)**	**(147)**

31 December 2014 Impairment charges / (reversals) on forborne loan and advances Composition	Specific charge individually and collectively assessed €m	Incurred but not reported €m	Total impairment charge on forborne loans €m
Residential mortgages	(15)	(46)	(61)
- Retail Ireland	*(15)*	*(44)*	*(59)*
- Retail UK	*-*	*(2)*	*(2)*
Non-property SME and corporate	-	(6)	(6)
- Republic of Ireland SME	*-*	*(6)*	*(6)*
- UK SME	*-*	*(2)*	*(2)*
- Corporate	*-*	*2*	*2*
Property and construction	-	(1)	(1)
- Investment	*-*	*2*	*2*
- Land and development	*-*	*(3)*	*(3)*
Consumer	-	2	2
Total Impairment charge / (reversal) on forborne loans	(15)	(51)	(66)

Impairment reversals on forborne loans and advances

The impairment reversal recognised on Retail Ireland forborne mortgage loans reflects our ongoing progress with resolution strategies that include appropriate and sustainable support to viable customers that are in financial difficulty.

In the non-mortgage book, where a specific provision is required the exposure is reported as 'impaired' and is not reported as 'forborne'; hence, only IBNR provisions are held against non-mortgage loans that are reported as forborne. The IBNR reversal of €30 million on forborne non-mortgage loans in the year primarily reflects the impact of significant reductions in the 'neither past due nor impaired' forborne Property and construction and Non-property SME and corporate loans.

Impairment provisions on forborne loans and advances to customers

The total impairment provisions on loans and advances to customers for the year ended 31 December 2015 were €5,886 million (31 December 2014: €7,423 million) (see page 88 in the asset quality disclosures). Of this, the impairment provisions on forborne loans amounted to €545 million (31 December 2014: €591 million) as set out in the tables below:

TABLE: 5

31 December 2015 **Impairment provision on forborne loan and advances Composition**	**Specific provisions individually and collectively assessed €m**	**Incurred but not reported €m**	**Total impairment provision on forborne loans €m**
Residential mortgages	186	230	416
- Retail Ireland	*185*	*227*	*412*
- Retail UK	*1*	*3*	*4*
Non-property SME and corporate	-	44	44
- Republic of Ireland	*-*	*23*	*23*
- UK SME	*-*	*10*	*10*
- Corporate	*-*	*11*	*11*
Property and construction	-	83	83
- Investment	*-*	*77*	*77*
- Land and development	*-*	*6*	*6*
Consumer	-	2	2
Total impairment provision on forborne loans	**186**	**359**	**545**

31 December 2014 Impairment provision on forborne loan and advances Composition	Specific provisions individually and collectively assessed €m	Incurred but not reported €m	Total impairment provision on forborne loans €m
Residential mortgages	205	231	436
- Retail Ireland	*204*	*229*	*433*
- Retail UK	*1*	*2*	*3*
Non-property SME and corporate	-	54	54
- Republic of Ireland	*-*	*28*	*28*
- UK SME	*-*	*12*	*12*
- Corporate	*-*	*14*	*14*
Property and construction	-	97	97
- Investment	*-*	*90*	*90*
- Land and development	*-*	*7*	*7*
Consumer	-	4	4
Total impairment provision on forborne loans	205	386	591

Impairment provision on forborne loans

Specific and Incurred but not reported (IBNR) provisions held against forborne Retail Ireland mortgage loans decreased during 2015. While the associated forborne loan balances have increased during the year as more customers enter into long-term sustainable forbearance solutions, the provision stock has decreased reflecting a reduction in the volume of non-performing forborne loans.

In the non-mortgage book, where a specific provision is required the exposure is reported as impaired and is not reported as forborne; hence, only IBNR provisions are held against non-mortgage loans that are reported as forborne. IBNR provisions on non-mortgage forborne loans have decreased during the year ended 31 December 2015, which primarily reflects the impact of significant reductions in the 'neither past due nor impaired' forborne Property and construction and Non-property SME and corporate loans.

Consolidated average balance sheet and interest rates

The following tables show the average balances and interest rates of interest earning assets and interest bearing liabilities for the year ended 31 December 2015 and the year ended 31 December 2014. The calculations of average balances can be based on daily, weekly or monthly averages, depending on the reporting unit. The average balances used are considered to be representative of the operations of the Group. The Group's operating divisions are managed on a product margin basis, with funding and interest exposure managed centrally. The explanation of the underlying business trends in the Group's net interest margin, after adjusting for the impact of IFRS income classifications, is outlined on page 21.

Average balance sheet

	Year ended 31 December 2015			Year ended 31 December 2014		
	Average Balance €m	**Interest[1,2] €m**	**Rate %**	Average Balance €m	Interest[1,2] €m	Rate %
Assets						
Loans and advances to banks	9,166	33	0.36%	8,589	35	0.41%
Loans and advances to customers	85,120	3,006	3.53%	83,879	3,018	3.60%
Available for sale financial assets and NAMA senior bonds	12,973	209	1.61%	16,514	379	2.29%
Held to maturity financial assets	1,292	21	1.63%	-	-	-
Total interest earning assets	**108,551**	**3,269**	**3.01%**	**108,982**	**3,432**	**3.15%**
Non interest earning assets	22,729	-	-	21,975	-	-
Total assets	**131,280**	**3,269**	**2.49%**	**130,957**	**3,432**	**2.62%**
Liabilities and stockholders' equity						
Deposits from banks	2,519	10[2]	0.40%	6,578	39[2]	0.59%
Customer accounts	57,385	462[2]	0.81%	56,135	643[2]	1.15%
- Retail Ireland	*22,037*	*84*	*0.38%*	*23,257*	*210*	*0.90%*
- Retail UK	*26,494*	*322*	*1.22%*	*23,799*	*339*	*1.42%*
- Corporate and Treasury[3]	*8,854*	*56*	*0.63%*	*9,079*	*94*	*1.04%*
Debt securities in issue	13,706	164[2]	1.20%	16,142	224[2]	1.39%
Subordinated liabilities	2,405	179	7.44%	2,102	168	7.99%
- Convertible Contingent Capital Note 2016	*967*	*126*	*13.03%*	*944*	*123*	*13.03%*
- Other subordinated liabilities	*1,438*	*53*	*3.69%*	*1,158*	*45*	*3.89%*
Total interest bearing liabilities	**76,015**	**815**	**1.07%**	**80,957**	**1,074**	**1.33%**
Current accounts	21,682	-	-	17,669	-	-
Non interest bearing liabilities[4]	24,297	-	-	24,140	-	-
Stockholders' equity	9,286	-	-	8,191	-	-
Total liabilities and stockholders' equity	**131,280**	**815**	**0.62%**	**130,957**	**1,074**	**0.82%**
Euro and sterling reference rates (average)						
ECB base rate			0.05%			0.16%
3 month Euribor rate			(0.02%)			0.21%
Bank of England base rate			0.50%			0.50%
3 month LIBOR rate			0.57%			0.54%

[1] *Represents interest income or expense recognised net of interest on derivatives which are in a hedge relationship with the relevant asset or liability.*
[2] *Excludes the cost of the ELG Scheme of €10 million (31 December 2014: €37 million) which is included within interest expense.*
[3] *Excludes deposits carried at fair value through profit and loss.*
[4] *Includes liabilities carried at fair value through profit and loss.*

The yield on average interest bearing liabilities (including current accounts) for the year ended 31 December 2015 was 0.83% (year ended 31 December 2014: 1.09%).

Consolidated income statement

for the year ended 31 December 2015

(EURO, US$ & STG£)	€m	US$m[1]	Stg£m[1]
Interest income	3,269	3,627	2,373
Interest expense	(825)	(915)	(599)
Net interest income	**2,444**	**2,712**	**1,774**
Net insurance premium income	1,350	1,498	980
Fee and commission income	561	622	407
Fee and commission expense	(242)	(268)	(176)
Net trading expense	58	64	42
Life assurance investment income, gains and losses	334	371	242
Other operating income	299	332	217
Total operating income	**4,804**	**5,331**	**3,486**
Insurance contract liabilities and claims paid	(1,511)	(1,676)	(1,097)
Total operating income, net of insurance claims	**3,293**	**3,655**	**2,389**
Other operating expenses	(1,823)	(2,023)	(1,323)
Impact of amendments to defined benefit pension scheme	4	4	3
Cost of restructuring programme	(43)	(48)	(31)
Operating profit before impairment charges on financial assets	**1,431**	**1,588**	**1,038**
Impairment charges on financial assets	(296)	(328)	(215)
Operating profit	**1,135**	**1,260**	**823**
Share of results of associates and joint ventures (after tax)	46	51	33
Gain on disposal / liquidation of business activities	51	57	37
Profit before tax	**1,232**	**1,368**	**893**
Taxation charge	(285)	(317)	(206)
Profit for the year	**947**	**1,051**	**687**
Attributable to stockholders	940	1,043	682
Attributable to non-controlling interests	7	8	5
Profit for the year	**947**	**1,051**	**687**

[1] *Converted at average exchange rates as set out on page 176.*

Consolidated balance sheet

as at 31 December 2015

(EURO, US$ & STG£)	€m	US$m[1]	Stg£m[1]
Assets			
Cash and balances at central banks	6,603	7,191	4,847
Items in the course of collection from other banks	294	320	216
Trading securities	3	3	2
Derivative financial instruments	3,064	3,337	2,249
Other financial assets at fair value through profit or loss	12,280	13,373	9,014
Loans and advances to banks	4,578	4,985	3,360
Available for sale financial assets	10,128	11,029	7,434
Held to maturity financial assets	1,922	2,093	1,411
NAMA senior bonds	1,414	1,540	1,038
Loans and advances to customers	84,689	92,226	62,162
Assets classified as held for sale	20	22	15
Interest in associates	56	61	41
Interest in joint ventures	83	90	61
Intangible assets	526	573	386
Investment properties	841	916	617
Property, plant and equipment	334	364	245
Current tax assets	13	14	10
Deferred tax assets	1,453	1,582	1,067
Other assets	2,640	2,875	1,937
Retirement benefit assets	19	21	13
Total assets	**130,960**	**142,615**	**96,125**
Equity and liabilities			
Deposits from banks	952	1,037	699
Customer accounts	80,164	87,299	58,841
Items in the course of transmission to other banks	239	260	175
Derivative financial instruments	3,619	3,941	2,656
Debt securities in issue	13,243	14,422	9,720
Liabilities to customers under investment contracts	5,729	6,239	4,205
Insurance contract liabilities	10,403	11,329	7,636
Other liabilities	4,103	4,468	3,012
Current tax liabilities	35	38	26
Provisions	97	106	71
Deferred tax liabilities	68	73	50
Retirement benefit obligations	755	822	554
Subordinated liabilities	2,440	2,657	1,791
Total liabilities	**121,847**	**132,691**	**89,436**
Equity			
Capital stock	2,558	2,785	1,878
Stock premium account	1,135	1,236	833
Retained earnings	4,950	5,391	3,633
Other reserves	(260)	(283)	(191)
Own stock held for the benefit of life assurance policyholders	(11)	(12)	(8)
Stockholders' equity	**8,372**	**9,117**	**6,145**
Other equity instruments	740	806	543
Total equity excluding non-controlling interests	**9,112**	**9,923**	**6,688**
Non-controlling interests	1	1	1
Total equity	**9,113**	**9,924**	**6,689**
Total equity and liabilities	**130,960**	**142,615**	**96,125**

[1] *Converted at closing exchange rates as set out on page 176.*

Stockholder information

Holders of ordinary stock

Stockholder profile	31 December 2015 % by value	31 December 2014 % by value
Ireland	16%	16%
UK	24%	24%
US	35%	38%
Europe / other	11%	10%
Retail	14%	12%
	100%	**100%**

Analysis of stockholdings:

Stockholding range - units of stock As at 31 December 2015	Number of stockholders	% of total holders	Stock held units	% of total stock
Up to 500	21,029	19.97%	4,169,744	0.01%
501 to 1,000	10,698	10.15%	8,250,755	0.03%
1,001 to 5,000	31,503	29.90%	81,879,837	0.25%
5,001 to 10,000	12,919	12.26%	95,510,029	0.30%
10,001 to 50,000	20,658	19.61%	472,251,334	1.46%
50,001 to 100,000	4,293	4.07%	312,414,013	0.97%
100,001 to 500,000	3,182	3.02%	645,119,034	1.99%
Over 500,000[1]	1,074	1.02%	30,726,104,965	94.99%
Total	**105,356**	**100%**	**32,345,699,711**	**100%**

Stockholding range - units of stock As at 31 December 2014	Number of stockholders	% of total holders	Stock held units	% of total stock
Up to 500	21,014	19.76%	4,175,823	0.01%
501 to 1,000	10,779	10.13%	8,312,246	0.03%
1,001 to 5,000	31,907	29.99%	82,981,919	0.26%
5,001 to 10,000	13,081	12.30%	96,712,558	0.30%
10,001 to 50,000	21,004	19.74%	480,924,157	1.49%
50,001 to 100,000	4,360	4.10%	316,482,125	0.98%
100,001 to 500,000	3,218	3.02%	647,888,033	2.00%
Over 500,000[1]	1,023	0.96%	30,708,515,806	94.93%
Total	106,386	100%	32,345,992,667	100%

[1] *Excludes stockholdings held by New Ireland Assurance Company plc*

Listings

The Governor and Company of the Bank of Ireland is a corporation established in Ireland in 1783 under Royal Charter. Its ordinary stock, of nominal value €0.05 per unit, has a primary listing on the Irish Stock Exchange and a premium listing on the London Stock Exchange. In the US, the Bank's ordinary stock (symbol IRE) was formerly traded on the New York Stock Exchange (NYSE) in the form of American Depositary Shares (ADSs), each ADS representing the right to receive forty shares of ordinary stock and evidenced by American Depositary Receipts (ADRs).

On 21 January 2015, the Bank announced that the Court of Directors had resolved to voluntarily delist its ADSs from the NYSE and to terminate its sponsored ADR programme. The last day of trading on the NYSE was 13 February 2015 and the sponsored ADR programme was terminated on 22 April 2015. The Group has not arranged for the listing of its ADRs or ordinary stock on another US securities exchange or for the quotation of its ordinary stock in a quotation medium in the United States. Following termination of the deposit agreement, BNY Mellon discontinued registration of transfers of the ADRs. ADR holders have one year from the termination of the ADR facility to surrender their ADRs to BNY Mellon, as depositary, for cancellation, and upon payment of the applicable fees of up to $0.05 per ADR plus taxes and charges as provided in the deposit agreement, receive the underlying ordinary stock of Bank of Ireland.

Registrar

The Bank's Registrar is:
Computershare Investor Services (Ireland) Limited,
P.O. Box 954,
Sandyford Industrial Estate,
Dublin 18.

Telephone: + 353 1 247 5414
Facsimile: + 353 1 447 5571
or
Contact via website: www.computershare.com/ie/contact

Stockholders may check their accounts on the Bank's stock register by accessing the Bank's website at: www.bankofireland.com/investor and then clicking on Check your Stock. This facility allows stockholders to check their stockholdings and to download standard forms required to initiate changes in details held by the Registrar.

Amalgamating your stockholdings

If you receive more than one copy of stockholder mailing with similar details on your accounts, it may be because the Bank has more than one record of stockholdings in your name. To ensure that you do not receive duplicate mailings in future and to reduce the cost and waste associated with this, please have all your stockholdings amalgamated into one account by contacting the Bank's Registrar (joint accounts cannot be merged with sole accounts or vice versa).

Stockholder enquiries

All enquiries concerning stockholdings should be addressed to the Bank's Registrar.

Communication

It is the policy of the Bank to communicate with Stockholders by electronic means or through the www.bankofireland.com website in the interest of protecting the environment. Those stockholders who do not wish to receive documents or information by electronic means may request to receive the relevant information in paper form.

Contact details for holders of American Depositary Shares

Address:

General correspondence should be sent to:
BNY Mellon Shareowner Services,
P.O. Box 30170,
College Station,
TX 77842-3170.

Overnight correspondence should be sent to:
BNY Mellon Shareowner Services,
211 Quality Circle, Suite 210,
College Station,
TX 77845.

Website:
www.mybnymdr.com

Email:
shrrelations@cpushareownerservices.com

Toll Free Telephone Number for Domestic Calls:
+1-888-269-2377

Telephone Number for International Calls:
+1-201-680-6825

Bank of Ireland website
Further information about the Bank of Ireland Group can be obtained from the internet at www.bankofireland.com

Other disclosures

TARGET 2

1. On 15 February 2008 a first floating charge was placed in favour of the Central Bank of Ireland (CBI) over all Bank of Ireland's right, title, interest and benefit, present and future, in and to the balances now or at any time standing to the credit of Bank of Ireland's account held as a TARGET 2 participant with the CBI (the Charged Property) where TARGET 2 is a real time gross settlement system for payments in euro with settlement in central bank money.

This floating charge contains a provision whereby during the subsistence of the security, otherwise than with the prior written consent of the CBI, Bank of Ireland shall:

(a) not create or attempt to create or permit to arise or subsist any encumbrance on or over the charged property or any part thereof; or

(b) not, otherwise than in the ordinary course of business, sell, transfer, lend or otherwise dispose of the charged property or any part thereof or attempt or agree to do so whether by means of one or a number of transactions related or not and whether at one time or over a period of time.

2. On 15 February 2008 a first floating charge was placed in favour of the CBI over all Bank of Ireland's right, title, interest and benefit, present and future, in and to certain segregated securities (the Charged Property) listed in an Eligible Securities Schedule kept by Bank of Ireland for purposes of participating in TARGET 2 where TARGET 2 is a real time gross settlement system for payments in euro with settlement in central bank money.

This floating charge contains a provision whereby during the subsistence of the security, otherwise than with the prior written consent of the CBI, Bank of Ireland shall:

(a) not create or attempt to create or permit to arise or subsist any encumbrance on or over the charged property or any part thereof; or

(b) not, otherwise than in the ordinary course of business, sell, transfer, lend or otherwise dispose of the Charged Property or any part thereof or attempt or agree to do so whether by means of one or a number of transactions related or not and whether at one time or over a period of time.

Abbreviations

ACS	Asset Covered Securities
ADR	American Depositary Receipts
ADS	American Depositary Shares
AFS	Available for sale
AGC	Annual General Court
AIB	Allied Irish Banks plc
ALCO	Group Asset and Liability Committee
APE	Annual Premium Equivalent
AQR	Asset Quality Review
AT1	Additional tier 1
BANK	The Governor and Company of the Bank of Ireland
BIAM	Bank of Ireland Asset Management
BIFR	Bank and Investment Firm Resolution
BIGPF	Bank of Ireland Group Pension Fund
BoI	Bank of Ireland
BoIGM	Bank of Ireland Global Markets
BoIMB	Bank of Ireland Mortgage Bank
BoISS	Bank of Ireland Securities Services
bps	Basis points
BRRD	Bank Recovery and Resolution Directive
BSA	Balance Sheet Assessment
BSPF	Bank of Ireland Staff Pensions Fund
BTL	Buy to let
CA	Comprehensive Assessment
CAG	Challenged Assets Group
CBI	Central Bank of Ireland
CCMRO	Chief Credit & Market Risk Officer
CCCN	Convertible Contingent Capital Note
CDO	Collateralised debt obligation
CDS	Credit Default Swap
CEO	Chief Executive Officer
CET 1	Common equity tier 1
CGU	Cash generating units
CMBS	Commercial Mortgage-Backed Securities
CML	Council Mortgage Lenders
COREP	Common Reporting
CPI	Consumer Price Index
CRC	Court Risk Committee
CRD	Capital Requirements Directive (European Union)
CRR	Capital Requirements Regulation
CSAs	Credit Support Annexes
CSO	Central Statistics Office
CVA	Credit Valuation Adjustment
DB	Defined Benefit
DBRS	Dominion Bond Rating Service
DCF	Discounted Cash Flow
DGS	Deposit Guarantee Scheme
DIRT	Deposit Interest Retention Tax
DIV	Data Integrity Verification
DTA	Deferred tax asset
DVA	Debit Valuation Adjustment
EAD	Exposure at Default
EBA	European Banking Authority
EBITDA	Earnings before interest, tax, depreciation and amortisation
ECB	European Central Bank
EDIS	European Deposit Insurance Scheme
EGC	Extraordinary General Court
ELG	Eligible Liabilities Guarantee Scheme
EMIR	European Market Infrastructure Regulation
EPS	Earnings per share
ESB	Electricity Supply Board
ESOS	Executive Stock Option Scheme
ESRI	Economic and Social Research Institute
EU	European Union
Euribor	Euro Inter Bank Offered Rate
EV	Expected Value
FRA	Full Risk Assessment
FRES	First Rate Exchange Services Limited
FSA	Financial Services Authority
FSCS	Financial Services Compensation Scheme
FVA	Funding Valuation Adjustment
FVTPL	Fair Value Through Profit or Loss
FX	Foreign exchange
GAAP	Generally Accepted Accounting Practice
GAC	Group Audit Committee
GB	Great Britain
GCC	Group Credit Committee
GCR	Group Credit Review
GDP	Gross Domestic Product
GEC	Group Executive Committee
GIA	Group Internal Audit
GIC	Group Investment Committee
GRCORC	Group Regulatory Compliance and Operational Risk Committee
GRPC	Group Risk Policy Committee
HICP	Harmonised Index of Consumer Prices
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBNR	Incurred but not Reported
IBRC	Irish Banking Resolution Corporation
ICAAP	Internal Capital Adequacy Assessment Process
ICU	Independent Control Unit
IFRIC	IFRS Interpretations Committee
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
ILP	Irish Life and Permanent
ILTR	Index Long Term Repo
IMF	International Monetary Fund
IOM	Isle of Man
IPD	Investment Property Databank
IPO	Initial Public Offering
IRBA	Internal Ratings Based Approach
IRE	Ireland
ISA	Individual Savings Account
ISDA	International Swaps and Derivative Association
ISIF	Irish Strategic Investment Fund
IT	Information Technology
JO	Joint operation
KMP	Key management personnel
KRAs	Key Result Areas
LAF	Leveraged Acquisition Finance
LCR	Liquidity Coverage Ratio
LDI	Liability Driven Investment

LGD	Loss Given Default
Libor	London Inter Bank Offered Rate
LLC	Limited Liability Company
LLP	Limited Liability Partnership
LTIP	Long Term Incentive Plan
LTPSP	Long Term Performance Stock Plan
LTRO	Long Term Refinancing Operation
LTV	Loan to Value
MARS	Mortgage Arrears Resolution Strategy
MFS	Minimum Funding Standard
MI	Management Information
NAMA	National Asset Management Agency
NAMAIL	National Asset Management Agency Investment Limited
NIAC	New Ireland Assurance Company plc
NIE	Northern Ireland Electricity
NPLs	Non-performing loans
NPRF	National Pensions Reserve Fund
NPRFC	National Pensions Reserve Fund Commission
NSFR	Net Stable Funding Ratio
NTMA	National Treasury Management Agency
NYSE	New York Stock Exchange
N&G	Group Nomination and Governance Committee
OCI	Other Comprehensive Income
O-SII	Other Systemically Important Institutions
OTC	Over The Counter
PCAR	Prudential Capital Assessment Review
PCF	Pre-approval Controlled Functions
PD	Probability of Default
PiT	Point in Time
PLAR	Prudential Liquidity Assessment Review
PO	UK Post Office
PRC	Portfolio Review Committee
PwC	PricewaterhouseCoopers
RAR	Risk Adjusted Returns
RAS	Risk Appetite Statement
RAROC	Risk Adjusted Return on Capital
REM COM	Group Remuneration Committee
RMC	Risk Measurement Committee
RoI	Republic of Ireland
RoW	Rest of World
RPI	Retail Price Index
RWAs	Risk weighted assets
SAYE	Save as you earn
SEPA	Single European Payments Area
SIC	Standing Interpretations Committee
SID	Senior Independent Director
SMBPN	Special Mortgage Backed Promissory Note
SME	Small Medium Enterprise
SOx	Sarbanes Oxley Act of 2002
SPE	Special Purpose Entity
SREP	Supervisory Review & Evaluation Process
SRM	Single Resolution Mechanism
SSM	Single Supervisory Mechanism
TLTRO	Targeted Longer Term Refinancing Operation
TSR	Total shareholder return
TtC	Through-the-Cycle
UK	United Kingdom
US	United States
VaR	Value at Risk
VAT	Value Added Tax

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