

Bank of Ireland Group plc
Country by Country Reporting 2018

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Bank of Ireland Group plc
Country by Country Reporting
for the year ended 31 December 2018

Basis of preparation

The disclosures contained in this report have been prepared pursuant to the country-by-country reporting (CBCR) requirements for specified institutions¹ under the Capital Requirements Directive (CRD IV), which have been transposed into Irish legislation as Regulation 77 of Statutory Instrument 158 of 2014.

Regulation 77 requires each institution to disclose annually, specifying, by Member State and by third country in which it has an establishment, the following information on a consolidated basis for the financial year:

- a) Name(s), nature of activities and geographical location;
- b) Turnover;
- c) Number of employees on a full time equivalent basis (FTE);
- d) Profit or loss before tax;
- e) Tax on profit or loss; and
- f) Public subsidies received.

The Governor and Company of the Bank of Ireland (GovCo) as a credit institution is required to comply with Regulation 77 and this report fulfils that obligation. Bank of Ireland Group plc is the listed holding company of the Group and the parent company of GovCo. Bank of Ireland Group plc (the 'Company' or 'BOIG plc') and its subsidiaries are collectively the 'Group' or 'BOIG plc Group' for the purposes of this disclosure.

The Group prepares consolidated statutory financial statements under International Financial Reporting Standards as adopted by the European Union (EU)².

The CBCR disclosures are prepared under International Financial Reporting Standards as adopted by the European Union (EU) except as regards the scope of consolidation, which, in line with the EU Capital Requirements Regulations (CRR), is on a prudential basis consistent with the Group's Pillar 3 disclosure².

The principal difference between the statutory consolidated financial statements and prudential basis of consolidation relates to the Group's wholly owned life insurer, New Ireland Assurance Company plc (NIAC), which is fully consolidated in the statutory financial statements but treated as an investment in the prudential consolidation.

In the disclosures that follow:

1. Country of establishment is defined as the geographical location of the business unit booking the transaction.
2. Turnover comprises net interest income, dividend income, net fees and commission income, net trading income and other operating income. Amounts from other countries (if any), which individually and in the aggregate are immaterial, are allocated to 'Other'. In deriving 'turnover' by country, intercompany turnover arising within a country is eliminated but intercompany turnover is reported in the above turnover by geography.
3. Total turnover and profit or loss before tax are derived from external activities only, i.e. all intragroup transactions and balances between entities included in the prudential consolidation have been eliminated. However, in the geographical analysis, transactions between entities in different geographical locations are not eliminated.
4. The number of employees on a full time equivalent basis is shown as the average for the year.
5. The tax paid numbers disclosed under CRD IV refer to corporation tax only.
6. Tax charge includes current corporation tax expense but not deferred taxes or any provisions for uncertain tax liabilities.
7. Public subsidies are defined to be direct support by the government. They do not include any central bank operations that are designed for financial stability purposes or operations that aim to facilitate the functioning of the monetary policy transmission mechanism. Moreover, schemes in line with the European Commission's guidance on State Aid are not considered public subsidies in the context of CBCR. Furthermore, general tax incentives do not fall within the definition of public subsidy for the purposes of CBCR.

¹ Credit institutions and Investment firms.

² Copies of the Group's Annual Report and Pillar 3 disclosures for the year ended 31 December 2018 can be obtained from the Group's website at www.bankofireland.com or from the Group Secretary's Office, Bank of Ireland, 40 Mespil Road, Dublin 4, Ireland.

Principal undertakings

Name	Principal Activities	Country of Establishment
Bank of Ireland Group plc	Holding Company	Ireland
The Governor and Company of the Bank of Ireland	Banking and Financial Services	Ireland Additional branches: United Kingdom, United States of America, Germany, France
Bank of Ireland Mortgage Bank ¹	Mortgage lending and issuing mortgage covered securities	Ireland
Bank of Ireland (UK) plc ¹	Retail financial services	United Kingdom
First Rate Exchange Services Limited ²	Foreign Exchange	United Kingdom
N.I.I.B. Group Limited	Personal finance and leasing	United Kingdom

The Group will annex a full listing of Group undertakings to its 2018 Annual Return to the Companies Registration Office.

Turnover, profit before taxation, taxation and employees (year ended 31 December 2018)

Country of establishment	Turnover €m	Profit before tax €m	Taxation paid / (refunded) €m	Taxation charge / (credit) €m	Average FTEs
Ireland	1,871	554	(14)	9	7,704
United Kingdom	699	207	23	37	2,067
United States of America	53	36	4	(1)	45
France	27	25	15	9	12
Germany	3	1	-	-	7
Other	-	-	-	-	-
Total	2,653	823	28	54	9,835

Taxation paid / (refunded) and other supplementary information (unaudited)

In any given year, tax paid may not directly relate to the accounting profits earned in that year because differences can arise between accounting profit and taxable profit as a result of applying local tax legislation.

The taxation paid disclosed under CRD IV relates to corporation tax only and does not include the wider tax contribution to the Irish Exchequer or other tax authorities. In 2018, the Group made payments to the Irish Exchequer of €247 million which in addition to corporation tax, primarily comprised irrecoverable VAT, employers' PRSI contributions and the bank levy (€29 million).

The above table shows a net Irish corporation tax refund of €14 million. This does not include Irish corporation tax payments of €16 million made by New Ireland Assurance Company plc but

does include a refund of overpaid Irish corporation tax of €22 million for prior years. The total Irish corporation tax paid in respect of the entire Group (including New Ireland Assurance Company plc) for 2018 was €24 million.

As disclosed in note 37 to the Group Annual Report for the year ended 31 December 2018, the Group had a deferred tax asset of €1,162 million (2017: €1,253 million) in respect of operating losses which are available to relieve future profits from tax. In accordance with tax legislation, current year taxable profits have, where appropriate, been offset by these brought forward operating losses.

Certain legal entities did not have brought forward operating losses and therefore reflect a current taxation charge and taxation payment for the year.

Public subsidies

No public subsidies were received by the Group during the year ended 31 December 2018.

¹ Direct subsidiary of the Governor and Company of the Bank of Ireland.

² This entity is a subsidiary of First Rate Exchange Services Holdings Limited, a joint venture with the UK Post Office, in which the Group holds 50% of the equity of the business.

Auditor's Report

Independent Auditor's Report to the Directors of Bank of Ireland Group plc

Opinion

We have audited the accompanying Country-by-Country (CBC) financial information of Bank of Ireland Group plc (BOIG) for the year ended 31 December 2018 pursuant to Statutory Instrument 158, European Union (Capital Requirements) Regulations, 2014 (the 'Regulations') which is required to be audited by Regulation 77 of those Regulations. The CBC financial information set out on pages 1 to 2 in the Bank of Ireland Group plc CBC report (collectively the 'CBC financial information'), is prepared on a consolidated basis in accordance with management's basis of preparation as set out in the basis of preparation on page 1.

In our opinion, the CBC financial information as at 31 December 2018:

- is prepared in all material respects in accordance with the basis of preparation set out on page 1; and
- discloses the items of CBC financial information required to be published, having applied the relevant principles of IFRS as adopted by the EU, by Regulation 77 of the European Union (Capital Requirements) Regulations, 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)), including ISA (Ireland) 805. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of CBC financial information section of our report. We are independent in accordance with the ethical requirements that are relevant to our audit of the CBC financial information, including the Code of Ethics for Members issued by the Institute of Chartered Accountants in Ireland and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of matter – basis of preparation

In forming our opinion on the CBC financial information, which is unmodified, we have considered the adequacy of the disclosure made on pages 1 to 2 of the BOIG CBC report concerning the definitions applied by the Group to the items of CBC financial information required to be published. Regulation 77 of the European Union (Capital Requirements) Regulations, 2014 does not set out definitions of the items of CBC financial information to be disclosed. The Group has applied definitions, as applicable, to the items of CBC financial information which are consistent with the definitions of those items in accordance with IFRS as adopted by the EU and of those items in the Group's annual statutory financial statements.

We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast

significant doubt over the use of that basis for a period of at least twelve months from the date when the CBC financial information is available for use. We have nothing to report in these respects.

Responsibilities of the Directors for the CBC financial information

The Directors are responsible for the preparation and fair presentation of the CBC financial information in accordance with the basis of preparation described on page 1 of the BOIG CBC report, the appropriateness of that basis of preparation, and for such internal control as management determines is necessary to enable the preparation of the CBC financial information that is free from material misstatement, whether due to fraud or error. In preparing the CBC financial information, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the CBC financial information

Our objectives are to obtain reasonable assurance about whether the CBC financial information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the CBC financial information.

A fuller description of our responsibilities is provided on IAASA's website at https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf.

Our report is made solely to the Group's Directors, as a body, in accordance with our engagement letter to provide a report pursuant to Regulation 77 of Statutory Instrument 158, European Union (Capital Requirements) Regulation, 2014. Our audit work has been undertaken so that we might state to the Group's Directors those matters we are required to state to them in an auditor's report on CBC financial information and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's Directors as a body, for our audit work, for this report, or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Niamh Marshall.

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