Pillar 3 Disclosures

For the year ended
31 December 2015

BoI Group Classification: Purple - Highly Confidential & Market Sensitive

Bank of Ireland Group

Bank of Ireland

Pillar 3 Disclosures

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 the Annual Report beginning on page 61 for further details.

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.

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Introduction

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

CRD IV in the context of this document describes the package CRR, CRD and regulatory and technical standards.

CRD IV is commonly referred to as containing the following three Pillars:

Pillar 1 contains mechanisms and requirements for the calculation by financial institutions of their minimum capital requirements for credit risk, market risk and operational risk.

Pillar 2 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 1 are considered under this Pillar.

Pillar 3 is intended to complement Pillar 1 and Pillar 2. It requires that financial institutions disclose information on the scope of application of CRD IV requirements, particularly covering capital requirements / risk weighted assets (RWA) and resources, risk exposures and risk assessment processes.

The Group's Pillar 3 disclosures have been prepared in accordance with CRD IV as implemented into Irish law and in accordance with the Group's Pillar 3 Disclosure Policy.

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

The Group's Pillar 3 document is a technical paper which should be read in conjunction with the Group's Annual Report for the year ended 31 December 2015 (hereafter referred to as the 'Group's Annual Report 31 December 2015'), which contains some Pillar 3 qualitative and quantitative information.

The Group's qualitative disclosure requirements are largely met in the Operating and Financial Review and Risk Management Report sections of the Group's Annual Report 31 December 2015.

Frequency

CRD IV and EBA guidelines require that the Group disclose information on an annual basis. To ensure the effective communication of the Group's business and risk profile, the Group also pays particular attention to the possible need to provide information more frequently than annually.

Verification

Information which is sourced from the Group's Annual Report 31 December 2015 may be subject to audit by the Group's external auditors and is subject to both internal and external review, along with appropriate governance procedures. The Pillar 3 document is subject to a robust governance process including final approval by the Group Audit Committee.

Media

Copies of the Group's Annual Report 31 December 2015 along with the Group's Pillar 3 Disclosures 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.

Areas covered

In accordance with Pillar 3 requirements, the areas covered by the Group's Pillar 3 disclosures include the Group's CRD IV capital requirements and resources, credit risk, market risk, operational risk, liquidity risk, leverage ratio, information on securitisation activity, encumbered / unencumbered assets and the Group's remuneration disclosures. Information on the Group's CRD IV capital ratios are included. Mortgage arrears resolution commentary is also provided in line with CBI disclosure requirements.

Some of the areas covered are also dealt with in the Group's Annual Report 31 December 2015. Where applicable, the relevant sections are cross-referenced throughout this document. In other areas more detail is provided in these Pillar 3 disclosures. For instance, the section on capital requirements includes additional information on the amount of capital held against various risks and exposure classes, and the section on capital resources provides details on the composition of the Group's own funds as well as a reconciliation of accounting equity to regulatory capital.

It should be noted that while some quantitative information in this document is based on financial data contained in the Group's Annual Report 31 December 2015, other quantitative data is sourced from the Group regulatory platform and is calculated according to regulatory requirements. The difference between the accounting data and information sourced from the Group's regulatory reporting platform is most evident for credit risk disclosures where credit exposure under CRD IV (referred to as Exposure at Default (EAD)) is defined as the expected amount of EAD and is estimated under specified CRD IV parameters and, unlike financial statement information, includes potential future drawings of committed credit lines as well as other technical differences. Pillar 3 quantitative data is thus not always directly comparable with the quantitative data contained in the Group's Annual Report 31 December 2015. Some details of the key differences between the Group's accounting and regulatory exposures are set out on page 9.

Supervision

The Single Supervisory Mechanism (SSM) is a system of financial supervision composed of the European Central Bank (ECB) and national competent authorities (NCAs). As part of the SSM, the ECB is responsible for the direct supervision of significant credit institutions, while the NCAs are responsible for the direct supervision of less significant credit institutions. The Group is a significant credit institution in accordance with the SSM framework and as such has been directly supervised by the ECB since November 2014.

As at 31 December 2015, the Group held three separate banking licences, the Governor and Company of the Bank of Ireland and Bank of Ireland Mortgage Bank, which are regulated under the SSM, along with Bank of Ireland (UK) plc which is authorised by the UK Prudential Regulation Authority (PRA). By operating a branch in the United States, Bank of Ireland and its subsidiaries are subject to certain regulation by the Board of Governors of the Federal Reserve System under various laws, including the International Banking Act of 1978 and the Bank Holding Company Act of 1956.

Each individual licence holder and regulated entity is required to comply with its local regulatory requirements.

The Group has included within certain banking licences (principally the Governor and Company of the Bank of Ireland licence) the capital, assets and liabilities of a range of non-regulated subsidiaries domiciled in both Ireland and overseas. These include subsidiaries that are not (i) credit institutions (ii) investment firms or (iii) other regulated entities that have a capital requirement driven by business activity levels.

Preparation and basis of consolidation

The Group's Pillar 3 disclosures are published on a consolidated basis for the year ended 31 December 2015.

Not all legal entities are within the scope of Pillar 3. A summarised diagramatical representation (as at 31 December 2015) of the regulatory consolidation group is illustrated below. The disclosures within this document are based on the regulatory consolidated group. Table 1.1 below highlights the main differences between the basis of consolidation for accounting purposes and the CRD IV regulatory treatment.

The Group is availing of the discretion provided for in Article 9 of the CRR to report on an 'individual consolidation' basis which allows for the treatment of certain subsidiaries as if they were, in effect, branches of the parent in their own right.

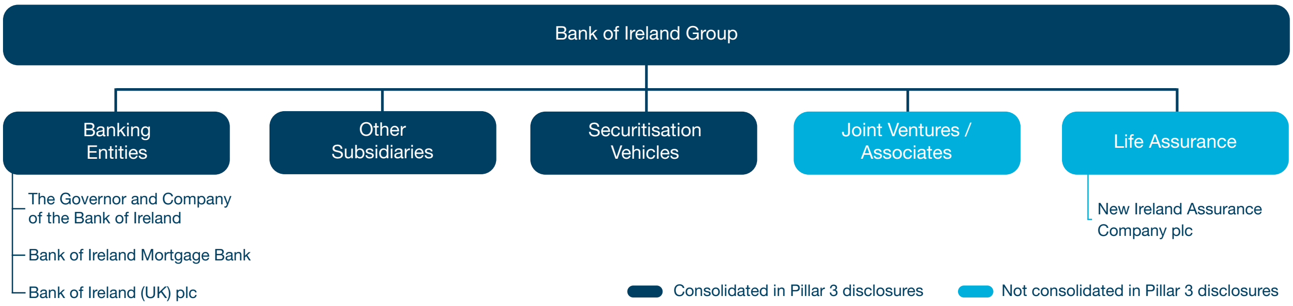

Table 1.1 - Basis of consolidation

Entity type	Statutory accounting treatment	CRD IV regulatory treatment
Life Assurance	Fully consolidated	As an unconsolidated significant investment in a financial sector entity the Group's investment in its life and pensions business is subject to the 10% / 15% threshold which determines the extent to which the investment is deducted from capital or included in RWAs.
Joint Ventures / associates	Equity method of accounting or Fair value through the P&L	The Group's non-qualifying holdings outside the financial sector in joint ventures and associates are included in RWAs.
Securitisation vehicles	Fully consolidated	A deduction is taken from CET 1 capital in respect of originated securitisations which have obtained Pillar 1 derecognition. The quantum of the deduction is set at the KIRB value of the securitised portfolios. Where Pillar 1 derecognition is not achieved RWA continues to be reported in respect of the underlying assets.

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.

Table 1.2 summarises the phase in rates of CET 1 deductions over the transition period.

Table 1.4 outlines the Group's capital ratios at 31 December 2015, on both a transitional and fully loaded basis.

Table 1.2 - Transitional table

	2014	2015	2016	2017	2018
Retirement benefit obligations / defined benefit pensions	20%	40%	60%	80%	100%
Available for sale reserves[1]					
- Unrealised losses (% to be included in CET 1 capital)	*20%*	*40%*	*60%*	*80%*	*100%*
- Unrealised gains (% to be excluded from CET 1 capital)	*100%*	*60%*	*40%*	*20%*	*0%*
Expected loss deduction[2]	20%	40%	60%	80%	100%
10% / 15% Threshold deduction	20%	40%	60%	80%	100%
Deferred tax assets[3]	0%	10%	20%	30%	40%[4]
2009 Preference Stock	100%	100%	100%	100%	0%
Other adjustments[5]	20%	40%	60%	80%	100%

1 *The Group has opted to maintain its filter on both unrealised gains and losses on exposures to central governments classified in the 'available for sale' category.*
2 *Under CRD IV rules, expected loss is phased in at 40% in 2015. However the CBI's 'Implementation of Competent Authority Discretions and Options in CRD IV and CRR' requires 50% of expected loss to be deducted from CET 1 overall.*
3 *Deferred tax assets that rely on future profitability but which do not relate to timing differences. Transition period concludes 1 January 2024.*
4 *Increasing by 10% per annum to 100% each year thereafter.*
5 *Other adjustments primarily relate to the phase out of certain national filters.*

The main items which have impacted CET 1 capital since the inception of the CRD IV transition rules are included below:

- pensions deficit add back;
- unrealised gains and losses on available for sale securities;
- significant investments in non-consolidated financial sector entities;
- expected loss net of provisions; and
- deferred tax assets not relating to timing differences.

Key capital ratios and key RWA movements

The following tables outline the components of the Group's risk weighted assets, capital and capital ratios under CRD IV on a transitional and fully loaded basis.

Table 1.3 - Risk weighted assets (RWA) (excluding 2009 Preference Stock)

	CRD IV transitional 31 December 2015 €bn	**CRD IV fully loaded 31 December 2015 €bn**	CRD IV transitional 31 December 2014 €bn	Restated[1] CRD IV fully loaded 31 December 2014 €bn
Credit risk	44.8	44.8	43.7	43.7
Market risk	0.4	0.4	0.5	0.5
Operational risk	4.8	4.8	4.0	4.0
Other assets[2]	3.0	2.9	3.1	2.9
Credit valuation adjustment	0.3	0.3	0.3	0.3
Total RWA	**53.3**	**53.2**	51.6	51.4

[1] *The CRD IV other assets RWA under fully loaded at 31 December 2014 has been restated to exclude the benefit of the 2009 Preference Stock which the Group derecognised from regulatory capital in November 2015 (See Annual Report page 261 for further details). This results in risk weighted assets decreasing by €0.2 billion due to a 10% / 15% deduction from capital for the investment in New Ireland Assurance Company plc.*

[2] *Includes RWA relating to non-credit obligation assets / other assets, settlement risk and RWA arising from the 10% / 15% threshold deductions. Settlement risk is deemed immaterial for individual disclosure.*

Table 1.4 - Capital and capital ratios (excluding 2009 Preference Stock)

	CRD IV transitional 31 December 2015		**CRD IV fully loaded 31 December 2015**		Restated[1] CRD IV transitional 31 December 2014		Restated[1] CRD IV fully loaded 31 December 2014	
	€bn	**% of RWA**	**€bn**	**% of RWA**	€bn	% of RWA	€bn	% of RWA
CET 1	7.1	13.3%	6.0	11.3%	6.3	12.3%	4.8	9.3%
Tier 1	7.9	14.8%	6.8	12.7%	6.4	12.4%	4.8	9.3%
Total capital	9.6	18.0%	8.3	15.7%	8.1	15.8%	6.4	12.4%

[1] *The CRD IV Common equity tier 1, 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 Annual Report page 261 for further details). Including the benefit of the 2009 Preference Stock the CRD IV Common equity tier 1 and total capital ratios at 31 December 2014 were 14.8% and 18.3% respectively on a transitional basis and 11.9% and 15.0% on a fully loaded basis.*

Table 1.5 - Movement of risk weighted assets by key driver

	Credit risk €bn	**Market risk €bn**	**Operational risk €bn**	**Other assets €bn**	**Credit valuation adjustments €bn**	**Total €bn**
RWA as at 31 December 2014	**43.7**	**0.5**	**4.0**	**3.1**	**0.3**	**51.6**
Book size and quality[1]	(0.9)	(0.1)	-	-	-	(1.0)
Model updates[2]	0.4	-	-	-	-	0.4
Methodology and policy[3]	-	-	-	-	-	-
Acquisitions and disposals[4]	0.3	-	-	-	-	0.3
Foreign exchange movements[5]	1.3	-	-	0.1	-	1.4
Other	-	-	0.8	(0.2)	-	0.6
RWA as at 31 December 2015	**44.8**	**0.4**	**4.8**	**3.0**	**0.3**	**53.3**

[1] *Book size and quality: This represents movements in RWA driven by changes in the composition of the Group's existing portfolios. This includes, but is not limited to: new business and re-payment of loans, changes in the product mix and constant currency growth in existing portfolios, PD Migration and LGD changes driven by economic conditions, changes in lending practices, demographics and maturity.*

[2] *Model updates: This can represent movements in RWA including, but is not limited to: model re-calibrations and re-anchoring, new model approvals or enhancements to improve model performance.*

[3] *Methodology and policy: Updates to the RWA calculation methodology, communicated by the Regulator.*

[4] *Acquisitions and disposals: Changes in book sizes due to acquisitions and disposals of portfolios of loans.*

[5] *Foreign exchange movements: Changes in RWA driven by market movements such as foreign exchange movements in the currency of underlying exposures and the Group's reporting currency.*

Key capital ratios (continued)

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.

CRD IV 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 deferred tax assets (DTA) deduction (although partially offset by the removal of the available for sale (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 futher net reduction of c.10 basis points to 12.8%.

CRD IV 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 and 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 1 treatment on 1 January 2018.

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 Table 2.6 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 were derecognised from CET 1 regulatory capital in November 2015. (See page 261 of the Annual Report for further details)

Capital requirements
The Group has received further clarity on its minimum regulatory capital requirements. The SSM has advised that the Group's Supervisory Review and Evaluation Process (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 (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 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 to 150 basis points.

Capital conservation buffer
CRD IV also provides for a capital conservation buffer of 2.5% of CET 1 capital which all banks must hold. This requirement will be phased in from 1 January 2016 to 1 January 2019 and is incorporated into the SREP requirement.

Countercyclical buffer
CRD IV provides for a countercyclical buffer that could require banks to hold additional CET 1 capital of up to 2.5%. This requirement is expected to be imposed by the competent authority where credit growth is deemed to be excessive and leading to the build-up of system-wide risk. The countercyclical buffer will be phased in from 1 January 2016 to 1 January 2019. Both the Central Bank of Ireland (RoI) and Financial Policy Committee (UK) have set the Countercyclical buffer (CCyB) at 0% from 1 January 2016.

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.*

Distinctions between Pillar 3 and IFRS quantitative disclosures

It should be noted that there are fundamental technical differences in the basis of calculation between financial statement information based on IFRS accounting standards and regulatory information based on CRD IV capital adequacy concepts and rules. This is most evident for credit risk disclosures. Credit EAD under the CRD IV, is defined as the expected amount of EAD and is estimated under specified regulatory rules.

There are two different types of tables included in this document, those compiled based on accounting standards (sourced from the Group's Annual Report 31 December 2015) and those compiled using CRD IV methodologies. Unless specified otherwise, both sets of data reflect the position as at 31 December 2015. The specific methodology used is indicated before each table where applicable.

The below narratives outlines the principal differences between total accounting assets at 31 December 2015 of €131.0 billion per the Group's Annual Report (31 December 2014: €129.8 billion) and total regulatory EAD of €119.0 billion (31 December 2014: €118.0 billion).

The following items outline instances where EAD is lower than accounting assets:

- Assets held outside of the Group on behalf of Bank of Ireland Life policyholders of c.€15.6 billion (31 December 2014 c.€14.7 billion) are included in accounting assets in accordance with IFRS but are not reflected in EAD as the Group is not exposed to risk and the Life assurance business is subject to separate supervision by the CBI. This is partly offset by the inclusion in EAD of investment in Bank of Ireland Life and related intergroup exposures.
- The loan assets in certain securitisations originated by the Group, where the bonds issued by the vehicles have been sold to third party investors, qualify for derecognition under Pillar 1 rules. These assets are not included in EAD notwithstanding that they continue to be reflected in accounting assets from an IFRS perspective. Further information on these assets, which total c.€1.7 billion (31 December 2014: c.€1.9 billion), is set out in the Securitisation section Table 6.1, page 47.
- The EAD on the Group's derivative exposures of €1.4 billion (€1.6 billion 31 December 2014) as set out in Table 5.1 is €1.7 billion lower (€2.1 billion lower December 2014) than accounting derivative assets of €3.1 billion (€3.7 billion 31 December 2014). This is attributable to the application of regulatory netting rules and the impact of cash collateral received from derivative counterparties partly offset by an allowance for potential future credit exposure in EAD which is not reflected in the accounting fair value.
- EAD is reduced by €1.7 billion (31December 2014: €1.6 billion) arising from the impact of other forms of credit risk mitigation, primarily the netting of on balance sheet assets and liabilities including the offset of net negative derivative mark-to-market positions with interbank counterparties against cash collateral placed with those counterparties under Credit Support Annex (CSA) agreements which is recorded in loans and advances to banks on the accounting balance sheet. Further information on credit risk mitigation is outlined on pages 41 and 42.
- €0.7 billion (31 December 2014: €0.4 billion) of accounting assets in relation to intangible, deferred tax and other assets are not reflected in EAD and are instead deducted from regulatory capital.
- Loans and advances in the Group's Annual Report 31 December 2015 include €0.1 billion (31 December 2014: €0.1 billion) of reverse repurchase agreements. The EAD on these exposures is negligible as the fair value of the collateral received under the repurchase agreement is in excess of the loan value.

The combined impact of the above items is partly offset by the combined impact of the following factors which outline instances where EAD is higher than accounting exposure:

- The inclusion in EAD of potential future drawings of committed credit facilities, contingent liabilities and other off balance sheet items. Regulatory credit conversion factors are used to convert the contractual amount of a commitment into a credit equivalent amount. EAD in relation to off balance sheet instruments at 31 December 2015 totalled €4.7 billion (31 December 2014: €4.4 billion). These amounts are not reflected in accounting assets.
- The treatment of specific provisions on IRB exposures of €3.2 billion (31 December 2014: €3.9 billion), see Table 4.14. EAD on IRB portfolios is shown gross of impairment provisions whereas accounting assets will be net of all provisions.
- The treatment of IBNR provisions of €0.6 billion (31 December 2014: €0.7 billion), see Table 4.13, are not taken into consideration when arriving at EAD on IRB portfolios but are netted in accounting assets.
- Regulatory exposures at 31 December 2015 include €0.2 billion (31 December 2014: €0.8 billion) of EAD in relation to repurchase agreement borrowings. The resulting exposure to banks and central banks arises in cases where the fair value of collateral provided to secure the borrowings is in excess of the cash received.

The above list of items is not exhaustive, but does outline the principal technical differences.

Capital

Table 2.1 outlines regulatory ratios and risk weighted assets under both CRD IV transitional and fully loaded positions.

Table 2.1 - Key capital ratios (excluding 2009 Preference Stock)

	CRD IV transitional 31 December 2015	**CRD IV fully loaded 31 December 2015**	Restated[1] CRD IV transitional 31 December 2014	Restated[1] CRD IV fully loaded 31 December 2014
	€bn	**€bn**	€bn	€bn
Common equity tier 1	13.3%	11.3%	12.3%	9.3%
Tier 1	14.8%	12.7%	12.4%	9.3%
Total capital	18.0%	15.7%	15.8%	12.4%
Leverage ratio[2]	6.6%	5.7%	5.3%	4.0%
Risk weighted assets[3]				
Credit risk[4,5]	48.1	48.0	47.1	46.9
Market risk	0.4	0.4	0.5	0.5
Operational risk	4.8	4.8	4.0	4.0
Total RWA	**53.3**	**53.2**	**51.6**	**51.4**

[1] *The CRD IV Common equity tier 1, Tier 1, total capital and leverage 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 Annual Report page 261 for further details). Including the benefit of the 2009 Preference Stock the CRD IV Common equity tier 1, total capital and leverage ratios at 31 December 2014 were 14.8%, 18.3% and 6.4% respectively on a transitional basis and 11.9%, 15.0% and 5.1% on a fully loaded basis.*

[2] *On 10 October 2014, the European Commission adopted Delegated Regulation (EU) 2015/62 amending regulation (EU) No.575/2013. The table figures are produced applying this delegated act.*

[3] *The CRD IV credit risk RWA under fully loaded at 31 December 2014 has been restated to exclude the benefit of the 2009 Preference Stock.*

[4] *Includes RWA relating to non-credit obligation assets / other assets, settlement risk, Credit Valuation Adjustment (CVA) risk and RWA arising from the 10% / 15% threshold deductions.*

[5] *Risk weighted assets reflect the application of certain Central Bank of Ireland Balance Sheet Assessment (2013) required adjustments and the updated treatments of expected loss.*

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, peer analysis 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.

For additional information on the Group's capital management policies please refer to the Capital Management section of the Group's Annual Report 31 December 2015.

The Internal Capital Adequacy Assessment Process (ICAAP) is carried out by the Group on an annual basis in line with Pillar 2 requirements. The ICAAP builds on the Pillar 1 process by (i) using internal measures to assess the capital requirements for risks not fully captured under Pillar 1 and (ii) assessing the impact of the Group's risks on capital resources under a base case scenario and a severe but plausible stress scenario. The ICAAP is a key process embedded in the Group's planning cycle and ensures that:

- the Court of Directors and the Group's senior management adequately identifies, measures and monitors the Group's risks and holds adequate capital in relation to the Group's risk profile; and
- the quality and quantity of financial resources the Group holds in respect of capital resources to meet its internal and regulatory requirements.
- the Group holds adequate capital to support its strategic business objectives on a current and projected basis under base and stress scenarios.

The Court approved ICAAP Report and supporting documentation is submitted to the SSM and the CBI on an annual basis, and is subject to regulatory review as part of the Supervisory Review and Evaluation Process (SREP).

The Group uses the Foundation IRB, Retail IRB and Standardised approaches for the calculation of its credit risk capital requirements. The capital requirements for market risk are calculated using the Standardised approach applicable to market risk.

The capital requirements for operational risk are calculated using the Standardised approach applicable to operational risk.

There is a requirement to disclose any impediment to the prompt transfer of funds within the Group. In respect of the Group's licensed subsidiaries, the Group is obliged to meet certain license conditions in respect of capital and / or liquidity. These requirements may include meeting or exceeding appropriate capital and liquidity ratios and obtaining appropriate regulatory approvals for the transfer of capital or, in certain circumstances, liquidity. The Group's licensed subsidiaries would be unable to remit funds to the parent when to do so would result in such ratios or other regulatory permissions being breached. Apart from this requirement, there is no restriction on the prompt transfer of own funds or the repayment of liabilities between the subsidiary companies and the parent.

At 31 December 2015, own funds were in excess of the required minimum in all of the Group's licensed subsidiaries.

Capital requirements / RWA

Table 2.2 shows the amount of capital the Group is required to set aside to meet the minimum total capital ratio of 8% of RWA set by CRD IV.

Table 2.2 - Capital requirements / RWA

		CRD IV transitional 31 December 2015		CRD IV transitional 31 December 2014	
		Capital requirement €m	**Risk weighted assets €m**	Capital requirement €m	Risk weighted assets €m
Credit risk		**3,584**	**44,803**	**3,490**	**43,619**
IRB		**2,887**	**36,085**	**2,790**	**34,869**
of which;	Central government or central banks	-	-	-	-
	Institutions	69	865	93	1,158
	Corporates	1,717	21,464	1,619	20,238
	of which;				
	- SME	*785*	*9,817*	*792*	*9,906*
	- Specialised lending	*148*	*1,853*	*148*	*1,847*
	Retail	1,085	13,560	1,056	13,201
	- Secured by immovable property collateral	*949*	*11,858*	*914*	*11,420*
	- Qualifying revolving retail exposures	*24*	*305*	*27*	*333*
	- Other retail exposures	*112*	*1,397*	*115*	*1,448*
	Equity	-	-	-	-
	Securitisation positions	16	196	22	272
Standardised		**697**	**8,718**	**700**	**8,750**
of which;	Central government & central banks[1]	-	-	-	-
	Regional governments or local authorities	1	16	2	19
	Public sector entities	-	-	-	2
	Multilateral development banks[1]	-	-	-	-
	International organisations[1]	-	-	-	-
	Institutions	-	-	-	-
	Corporates	402	5,019	389	4,865
	Retail	164	2,052	132	1,649
	Secured by mortgages on immovable property	6	77	-	-
	Exposures in default	113	1,412	166	2,075
	Exposures associated with particularly high risk	11	142	7	85
	Covered bonds[2]	-	-	-	-
	Securitisation positions	-	-	-	-
	Institutions and corporates with a short-term credit assessment	-	-	2	31
	Collective investment undertakings	-	-	-	-
	Equity	-	-	-	-
	Other items	-	-	2	24
Other assets		**245**	**3,058**	**250**	**3,122**
Credit valuation adjustment		**20**	**255**	**24**	**297**
Market risk		**34**	**425**	**41**	**511**
Operational risk		**382**	**4,773**	**323**	**4,032**
Total		**4,265**	**53,314**	**4,128**	**51,581**

The IRB and Standardised categories included in this table are the exposure classes outlined in the CRD IV.

[1] The Group has exposures in the Standardised approach for Central government & central banks, Multilateral development banks and International organisations, however these are 0% risk weighted.

[2] The Group's holdings of Covered bonds are included in the IRB approach.

Under CRD IV, the Group is required to maintain a transitional floor set at 80% of Basel I requirements. The transitional floor capital requirement was nil at 31 December 2015 and nil at 31 December 2014.

Breakdown of the Group's regulatory capital requirement

At 31 December 2015, the Group applied the Foundation IRB and Retail IRB approaches to 75% (31 December 2014: 76%) of its credit exposures. In addition, 81% of credit RWA are based on IRB approaches (31 December 2014: 80%). These RWA metrics exclude 'Other Assets' and Credit Valuation Adjustment (CVA) as set out in Table 2.3 below.

Table 2.3 shows the Group's minimum capital requirements (based on 8% of RWA), RWA and EAD by risk type.

Table 2.3 - Breakdown of the Group's regulatory capital requirement

	CRD IV transitional 31 December 2015			CRD IV transitional 31 December 2014		
	Capital requirement €m	**Risk weighted assets €m**	**Exposure at default[1] €m**	Capital requirement €m	Risk weighted assets €m	Exposure at default[1] €m
Credit risk	3,584	44,803	115,399	3,490	43,619	115,733
- Retail & Foundation[2] IRB approach	*2,887*	*36,085*	*86,938*	*2,790*	*34,869*	*87,448*
- Standardised approach	*697*	*8,718*	*28,461*	*700*	*8,750*	*28,285*
Market risk	34	425	-	41	511	-
Operational risk	382	4,773	-	323	4,032	-
Other assets	245	3,058	3,563	250	3,122	2,285
Credit valuation adjustment[3]	20	255	-	24	297	-
Total	**4,265**	**53,314**	**118,962**	4,128	51,581	118,018

[1] *EAD relates to exposures which are subject to risk weights. It excludes exposures subject to deduction from capital and repurchased tranches of own securitisations which are not subject to risk weights.*
[2] *EAD under the Foundation IRB approach at 31 December 2015 includes defaulted exposures of €4.2 billion (31 December 2014: €5.8 billion) which attract a 0% risk weighting.*
[3] *The Group adopts the Standardised approach for CVA. The EAD of €0.8 billion in 2015 (€0.8 billion in 2014) on these derivatives is included in the IRB approach above as they also receive a counterparty credit risk charge.*

Credit risk RWA (Standardised approach and IRB approaches) at 31 December 2015 of €44.8 billion are €1.2 billion higher than Credit risk RWA of €43.6 billion at 31 December 2014. This is mainly due to an increase of €1.3 billion from foreign exchange movements, €0.4 billion due to model updates and €0.3 billion of acquisitions partially offset by a reduction of €0.9 billion due to changes in book size and quality.

Market risk RWA decreased primarily due to reduced open foreign exchange (fx) positions in sterling and dollar.

Operational risk RWA have increased based on improved average operating income, using the three year average approach under the Standardised method.

Other assets EAD and related RWA includes primarily deferred tax assets, unconsolidated investments in subsidaries, holdings in joint ventures / associates, property, plant and equipment and sundry / other assets.

Capital resources

Table 2.4 sets out the Group's capital position as at 31 December 2015 and 31 December 2014 and a reconciliation of accounting with regulatory capital.

It should be noted that while some quantitative information in this document is based on financial data contained in the Group's Annual Report 31 December 2015, other quantitative data is sourced from the Group's regulatory reporting platform and is calculated according to regulatory requirements.

Further explanations relating to items contained in this table are included in Appendix I.

Capital resources (continued)

Table 2.4 - Reconciliation of accounting capital with regulatory capital (excluding 2009 Prefence Stock)

	CRD IV transitional 31 December 2015	CRD IV fully loaded 31 December 2015	Restated[1] CRD IV transitional 31 December 2014	Restated[1] CRD IV fully loaded 31 December 2014
	€m	€m	€m	€m
Capital base				
Total equity	9,113	9,113	8,747	8,747
- less 2009 Preference Stock and associated reserves	-	-	(1,300)	(1,300)
- less Additional tier 1 capital	(750)	(750)	-	-
Total equity less instruments not qualifying as CET 1	**8,363**	**8,363**	**7,447**	**7,447**
Regulatory adjustments being phased in / out under CRD IV	**(509)**	**(1,579)**	**(329)**	**(1,904)**
- Deferred tax assets[2]	*(134)*	*(1,345)*	*-*	*(1,452)*
- 10% / 15% threshold deduction[3]	*-*	*(45)*	*-*	*(79)*
- Retirement benefit obligations[4]	*391*	*-*	*714*	*-*
- Available for sale reserve[5]	*(466)*	*-*	*(609)*	*-*
- Pension supplementary contributions[4]	*(36)*	*-*	*(56)*	*-*
- Capital contribution on CCCN[4]	*(7)*	*-*	*(29)*	*-*
- Other adjustments[6]	*(257)*	*(189)*	*(349)*	*(373)*
Other regulatory adjustments	**(765)**	**(783)**	**(777)**	**(786)**
- Expected loss deduction[7]	*(17)*	*(35)*	*(10)*	*(19)*
- Intangible assets and goodwill	*(509)*	*(509)*	*(405)*	*(405)*
- Dividend / coupon expected on Preference Stock and other equity instruments[8]	*(30)*	*(30)*	*(115)*	*(115)*
- Cash flow hedge reserve	*(160)*	*(160)*	*(205)*	*(205)*
- Own credit spread adjustment (net of tax)	*13*	*13*	*26*	*26*
- Securitisation deduction	*(62)*	*(62)*	*(68)*	*(68)*
Common equity tier 1	**7,089**	**6,001**	**6,341**	**4,757**
Additional tier 1				
Additional tier 1[9]	817	750	75	-
Regulatory adjustments	**(9)**	**-**	*(5)*	-
- Expected loss deduction[7]	*(9)*	*-*	*(5)*	*-*
Total Tier 1 capital	**7,897**	**6,751**	**6,411**	**4,757**
Tier 2				
Tier 2 dated debt	1,280	1,280	1,525	1,514
Tier 2 undated debt	126	170	113	163
Regulatory adjustments	**(9)**	**-**	**(5)**	-
- Expected loss deduction[7]	*(9)*	*-*	*(5)*	*-*
Standardised incurred but not reported (IBNR) provisions	34	-	44	-
Provisions in excess of expected losses on defaulted assets	216	216	-	-
Other adjustments	32	(80)	53	(80)
Total Tier 2 capital	**1,679**	**1,586**	**1,730**	**1,597**
Total capital	**9,576**	**8,337**	**8,141**	**6,354**

Capital resources (continued)

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 Annual Report page 261 for further details).*
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.*

The following section provides commentary on the key movements in the reconciliation of accounting capital with regulatory capital during the year ended 31 December 2015. Table 2.4 also provides a capital flow statement outlining the movements in the CRD IV regulatory capital tiers during 2015 and 2014. Appendix I provides qualitative information on, and a brief explanation of, the principle components of the Group's CRD IV capital resources as outlined in Table 2.4.

Total equity increased by €366 million during 2015 from €8.7 billion at 31 December 2014 to €9.1 billion at 31 December 2015, primarily due to the impact of attributable profits, the issuance of €750 million of Additional tier 1 capital, positive movements in the defined benefit pension schemes and the foreign exchange reserve partially offset by adverse movements in the AFS and cashflow hedge reserves and the derecognition of the €1.3 billion 2009 Preference Stock.

Regulatory adjustments on a transitional basis to CET 1 capital totalled €1.3 billion at 31 December 2015 versus €1.1 billion at 31 December 2014. The increase is primarily due to the impact of an additional year of phasing under the transitional arrangements of the CRR including:

- Deferred tax assets - 10% of deferred tax related to future profitability is required to be deducted in 2015. This will increase by 10% per annum until 2024;
- Retirement benefit obligations - the add back of the defined benefit pension schemes deficit is phased out under CRD IV rules at 40% in 2015, giving a reduction in the add back from that as at 31 December 2014. The add back is further reduced due to a decrease in the deficit on the defined benefit pensions scheme as at 31 December 2015;
- Available for sale reserve - the decrease in the deduction is due to a decrease in available for sale reserve partially offset by CRD IV phasing rules for non-soverign assets which require phasing in of 40% of unrealised losses and 40% unrealised gains in 2015;
- Expected loss - the increase in the expected loss deduction to CET 1 capital relates to non-defaulted exposures. Provisions are now in excess of regulatory expected loss on defaulted exposures and are included in Tier 2 capital; and
- 10 / 15% threshold deductions - reflects threshold calculation for significant investments in financial sector entities and deferred tax assets relating to temporary differences.

Tier 1 capital on a transitional basis has increased by €738 million in excess of the increase in CET 1 capital during 2015 primarily due to the issuance of €750 million of new CRD IV compliant AT1 securities in June 2015.

Tier 2 capital on a transitional basis has reduced by €51 million to €1.7 billion at 31 December 2015, primarily due to the amortisation of dated Tier 2 capital instruments partially offset by an increase in provisions in excess of expected loss on defaulted exposures as outlined above.

Capital resources (continued)

Table 2.5 below outlines the component parts of regulatory capital with further details of capital instruments, adjustments, deductions and filters in line with the prescribed template provided in Article 5 of commission regulation (EU) No.1423/2013.

The table further details total risk weighted assets, capital ratios and buffers before listing applicable caps on the inclusion of provisions in Tier 2 and capital instruments subject to phase-out.

Line referencing for Annex VI of commission regulation (EU) No.1423/2013 is also provided. Rows that are not applicable to the Group have been omitted.

Amounts subject to pre-regulation (EU) No.575/2013 treatment or prescribed residual amount of regulation (EU) No.575/2013, are listed separately at the end of the table.

Table 2.5 - Transitional & fully loaded own funds disclosure
Disclosure according to Article 5 in commission implementing regulation (EU) No.1423/2013.

Annex IV Reference		Transitional CRD IV 31 December 2015 €m	Fully loaded CRD IV 31 December 2015 €m
Common equity tier 1 capital: Instruments and reserves			
1	Capital instruments and the related share premium accounts	*3,617*	*3,617*
	- Ordinary stock	*1,616*	*1,616*
	- Deferred stock	*920*	*920*
	- Treasury stock	*2*	*2*
	- Share premium	*1,079*	*1,079*
2	Retained earnings	4,950	4,950
3	Accumulated other comprehensive income (and other reserves)	(260)	(260)
6	**Common equity tier 1 (CET 1) capital before regulatory adjustments**	**8,307**	**8,307**
Common equity tier 1 (CET 1) capital: regulatory adjustments			
7	Additional value adjustments / other	(105)	(115)
8	Intangible assets (net of related tax liability)	(509)	(509)
10	Deferred tax asset that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(134)	(1,345)
11	Fair value reserves related to gains or losses on cash flow hedges	(160)	(160)
12	Negative amounts resulting from the calculation of expected loss amounts	(17)	(35)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	13	13
15	Defined-benefit pension fund assets	(7)	(16)
16	Direct and indirect holdings by an institution of own CET 1 instruments	(2)	(2)
19	Direct and indirect and synthetic holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities	-	(45)
20a	Exposure amount of the following items which qualify for a RW of 1250%	(62)	(62)
20c	*- Securitisation positions*	*(62)*	*(62)*
26a	Regulatory adjustments relating to unrealised gains and losses	(466)	-
	- Unrealised gains on non-sovereign bonds	*(104)*	*-*
	- Unrealised losses on non-sovereign bonds	*23*	*-*
	- Unrealised gains on sovereign bonds	*(387)*	*-*
	- Unrealised losses on sovereign bonds	*2*	*-*
26b	Amount to be deducted from or added to Common equity tier 1 capital with regard to additional filters and deductions required pre CRR	231	(30)
	- Defined benefit pension scheme	*391*	*-*
	- Value in Force asset	*(102)*	*-*
	- Property revaluation reserve	*(10)*	*-*
	- Fair value on Bristol and West Sub debt	*25*	*-*
	- Fair value on CoCo bond	*(7)*	*-*
	- Minimum funding standard pension contributions	*(36)*	*-*
	- Dividend / coupon expected on other equity instruments	*(30)*	*(30)*
28	**Total regulatory adjustments to Common equity tier 1 (CET 1)**	**(1,218)**	**(2,306)**
29	**Common equity tier 1 (CET 1) capital**	**7,089**	**6,001**

Capital resources (continued)

Transitional & fully loaded own funds disclosure (continued)

Annex IV Reference		Transitional CRD IV 31 December 2015 €m	Fully loaded CRD IV 31 December 2015 €m
Additional tier 1 (AT1) capital: Instruments			
30	Capital instruments and the related share premium accounts	750	750
31	*- Classified as equity under applicable accounting standards*	*750*	*750*
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	67	-
36	**Additional tier 1 (AT1) capital before regulatory adjustments**	**817**	**750**
Additional tier 1 (AT1) capital: regulatory adjustments			
41a	Residual amounts deducted from Additional tier 1 capital with regard to deduction from Common equity tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No.575/2013	(9)	-
	- Shortfall of provisions to expected losses	*(9)*	*-*
43	**Total regulatory adjustments to Additional tier 1 (AT1) capital**	**(9)**	**-**
44	**Additional tier 1 (AT1) capital**	**808**	**750**
45	**Tier 1 capital (T1 = CET 1 + AT1)**	**7,897**	**6,751**
Tier 2 (T2) capital: Instruments and provisions			
46	Capital instruments and the related share premium accounts	1,406	1,450
50	Credit risk adjustments	216	216
51	**Tier 2 (T2) capital before regulatory adjustments**	**1,622**	**1,666**
Tier 2 (T2) capital: regulatory adjustments			
55	Direct and indirect holdings by the institution of the Tier 2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	(80)	(80)
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common equity tier 1 capital during the transitional period pursuant to Article 472 of regulation (EU) No.575/2013	(9)	-
	- Shortfall of provisions to expected losses	*(9)*	*-*
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR	146	-
	- IBNR provisions	*34*	*-*
	- Value in Force asset	*102*	*-*
	- Property revaluation reserve	*10*	*-*
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**57**	**(80)**
58	**Tier 2 (T2) capital**	**1,679**	**1,586**
59	**Total capital (TC = T1 + T2)**	**9,576**	**8,337**
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in regulation (EU) No.575/2013 (i.e. CRR residual amounts)	-	-
	of which; items not deducted from CET 1 (Regulation (EU) No.575/2013 residual amounts) deferred tax assets that rely on future profitability net of related tax liability	*-*	*-*
60	**Total risk weighted assets**	**53,314**	**53,201**

Capital resources (continued)

Transitional & fully loaded own funds disclosure (continued)

Annex IV Reference		Transitional CRD IV 31 December 2015 €m	Fully loaded CRD IV 31 December 2015 €m
Capital ratios and buffers			
61	Common equity tier 1	13.3%	11.3%
62	Tier 1	14.8%	12.7%
63	Total capital	18.0%	15.7%
Amounts below the threshold for deduction (before risk weighting)			
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	650	605
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)	208	208
Applicable caps on the inclusion of provisions In Tier 2			
77	Cap on inclusion of credit risk adjustments in T2 under Standardised approach	147	147
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	216	216
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	217	217
Capital Instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)			
82	Current cap on AT1 instruments subject to phase out arrangements	67	-

Amounts subject to pre-regulation (EU) No.575/2013 treatment or prescribed residual amount of regulation (EU) No.575/2013.

Common equity tier 1 (CET 1) capital regulatory adjustments		Amounts subject to pre-regulation (EU) No.575/2013 treatment or prescribed residual amount of regulation (EU) No.575/2013.
10	Deferred tax asset that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(1,211)
12	Negative amounts resulting from the calculation of expected loss amounts	(18)
15	Defined-benefit pension fund assets	(9)

Capital instruments

The following table provides information on the regulatory values of the Group's Additional tier 1 capital and Tier 2 debt.

The regulatory values in the below table will differ from the accounting values disclosed in the Group's Annual Report 31 December 2015 as the regulatory values exclude hedge accounting adjustments and include the impact of regulatory amortisation where the instrument has less than five years to maturity.

The Capital instruments template disclosure according to Article 3 in Commission implementing regulation (EU) No.1423/2013 is published separately at www.bankofireland.com.

Table 2.6 - Capital instruments

31 December 2015	Nominal outstanding €m	Accounting value €m	CRD IV regulatory value transitional €m	CRD IV regulatory value fully loaded €m
Bank of Ireland UK Holdings plc €600 million 7.4% guaranteed Step-up Callable Perpetual Preferred Securities[1]	32	33	23	-
Non-Cumulative Preference Stock (1.9 million units of Stg£1 each and 3 million units of €1.27 each)[2] (70%)	4	44	44	-
€750 million 7.375% Additional tier 1 instrument[3]	750	740	750	750
Additional tier 1 capital	**786**	**817**	**817**	**750**
€1000 million 10% Convertible Contingent Capital Note 2016[4]	1,000	994	115	115
€250 million 10% Fixed Rate Subordinated Notes 2022[5]	250	266	249	249
€1002 million 10% Fixed Rate Subordinated Notes 2020[6]	206	234	168	168
€750 million Subordinated Floating Rate Note 2024[7]	750	763	746	746
Other	3	3	2	2
Tier 2 dated debt	**2,209**	**2,260**	**1,280**	**1,280**
Bank of Ireland Stg£75 million 13³/₈% Perpetual Subordinated Bonds[8]	63	103	63	63
Bristol & West plc Stg£32.6 million 8¹/₈% Non-Cumulative Preference Shares[8]	44	44	44	44
Non-Cumulative Preference Stock (1.9 million units of Stg£1 each and 3 million units of €1.27 each)[2] 30%	2	19	19	63
Tier 2 undated debt	**109**	**166**	**126**	**170**
Total capital instruments	**3,104**	**3,243**	**2,223**	**2,200**

CRD IV treatment

1 *These preferred securities do not qualify as Tier 1 or Tier 2 under CRD IV. They are being be phased out from 2014.*
2 *The non-cumulative Preference Stock does not qualify as Tier 1 capital under CRD IV but does qualify as Tier 2 capital. These instruments will be phased into Tier 2 from Tier 1 at 30% in 2015 and increases by 10% per annum thereafter. The nominal and accounting values have been allocated in the same manner.*
3 *The Additional tier 1 equity securities issued in June 2015 qualifies as Additional tier 1 under CRD IV.*
4 *The contingent capital note qualifies as Tier 2 under CRD IV. As these notes have less than 5 years to maturity they are subject to regulatory amortisation.*
5 *The subordinated notes due 2022 qualify as Tier 2 under CRD IV. They will be subject to regulatory amortisation from 2017.*
6 *The subordinated notes due 2020 qualify as Tier 2 under CRD IV. As these notes have less than 5 years to maturity they are subject to amortisation from 2015.*
7 *The subordinated notes due 2024 qualify as Tier 2 under CRD. They are subject to regulatory amortisation from 2019.*
8 *These instruments qualify as Tier 2 under CRD IV. As they are undated they will not be subject to regulatory amortisation.*

Risk management

Risk management

The Group has identified the following key risks: credit risk, liquidity risk, market risk, operational risk, pension risk, business and strategic risk, life insurance risk, reputation risk, regulatory risk and model risk. An introduction to the Group's assessment of its capital requirements for credit risk, market risk and operational risk is outlined below while detail regarding how these, and other risks are identified, managed, measured and mitigated is provided in the Risk Management Report from page 60 of the Group's Annual Report 31 December 2015.

The Court of Directors (the Court) considers the risk management systems in place in the Group as outlined in the Risk Management Report in the Group's Annual Report 2015, and in particular under Section 2 Risk Management Framework (from page 68), to be adequate having regard to the Group's profile and strategy.

The role of the Court in relation to risk management is also set out in 'Role of the Court' in the Corporate Governance Statement of the Annual Report 2015 (from page 123).

The Court of Directors section on pages 123 to 134 of the Group's Annual Report 31 December 2015 contains information relating to:

- the recruitment policy for the selection of members of the management body; and
- the policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy.

The Court of Directors section on pages 123 to 134 of the Group's Annual Report 31 December 2015 contains information relating to the number of directorships held by members of the management body.

Risk profile

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 practices are aligned with its risk and capital management strategies. This integrated approach is set out in the Group Risk Framework, which is approved by the Court. 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.

The Risk Governance section 2.2 on pages 69 to 71 of the Group's Annual Report 31 December 2015 contains information relating to:

- the existence of a separate risk committee and the number of times the risk committee has met; and
- the description of the information flow on risk to the management body.

The Group's risk identity is to be the leading Irish retail, commercial and corporate bank focussed 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 Court approved risk appetite parameters to have and maintain a robust, standalone financial position.

Risk appetite defines the amount and nature of risk the Group is prepared to accept in pursuit of its financial objectives. It 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 the maintenance of financial stability, solvency and the protection of 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. As such, risk appetite represents a boundary condition to the Group's strategy.

Key ratios and figures associated with the risk profile of the Group include the following:

Table 3.1 - Key risk figures and ratios (excluding 2009 Preference Stock)

	31 December 2015 €bn	Restated[1] 31 December 2014 €bn
Loan book profile (gross of provisions)		
Residential mortgages	52.9	51.0
Consumer	3.3	3.0
SME	12.1	12.1
Corporate	8.9	8.3
Property & construction	13.4	15.2
Capital ratios		
Common equity tier 1 ratio	13.3%	12.3%
Tier 1 ratio	14.8%	12.4%
Total capital ratio	18.0%	15.8%
Liquidity ratios		
Liquidity coverage ratio[2]	108%	108%
Net stable funding ratio	120%	114%
Loan to deposit ratio	106%	106%

[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 Annual Report page 261 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] The Liquidity coverage ratio reflects the Delegated Act implemented on 18 January 2015.

All of the above figures and ratios are within the relevant limits set by the Court in the Risk Appetite Statement.

For further information on the Group's Risk Management Framework and Management of Key Group Risks, see Section 2 (pages 68 to 73) and Section 3 (pages 74 to 119) of the Risk Management Report in the Group's Annual Report 2015.

Credit risk

The Group uses the Standardised, the Foundation IRB and Retail IRB approaches for the calculation of its credit risk capital requirements. The Standardised approach involves the application of prescribed regulatory risk weights to credit exposures to calculate the capital requirement. The IRB approaches (Foundation and Retail) allow banks, subject to the approval of their regulator, to use their internal credit risk measurement models combined, where appropriate, with regulatory rules, to calculate their regulatory capital requirements.

At 31 December 2015, the Group applied the Foundation IRB and Retail IRB approaches to 75% (31 December 2014: 76%) of its group exposures by EAD which resulted in 81% of credit risk weighted assets being based on IRB approaches (31 December 2014: 80%). The credit risk information disclosed in this document includes a breakdown of the Group's exposures by CRD IV exposure class, geography, sector, maturity and asset quality. Accounting information on past due and impaired financial assets and provisions is also provided.

The Group's approach to management of balances in arrears and impaired loans is rigorous, with a focus on early intervention and active management of accounts. For further details, see the Management of Challenged Assets section on page 78 of the Group's Annual Report 31 December 2015.

Market risk

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 Group's balance sheet, the Group's business mix and discretionary risk taking.

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. 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. The Group employs a Value at Risk (VaR) approach to measure, and set limits for, proprietary market risk-taking in Bank of Ireland Global Markets (BoIGM). This is supplemented by a range of other measures including stress tests.

The Group uses the Standardised approach for its assessment of Pillar 1 capital requirements for Trading Book market risk, using the prescribed regulatory calculation method.

Operational risk

The Group's operational risk framework is implemented across the Group and is supported by the Group Regulatory, Compliance and Operational Risk (GRCOR) function. Implementation of the operational risk framework is monitored by the Court Risk Committee, the Group Risk Policy Committee, the Group Audit Committee and the Group Regulatory, Compliance and Operational Risk Committee. Group and business risk exposures are assessed, controls and mitigants are put in place and loss tolerances are set and monitored. This strategy is further supported by risk transfer mechanisms such as the Group's insurance programme.

The Group uses the Standardised approach for its assessment of capital requirements for operational risk, using the prescribed regulatory calculation method.

Credit risk

Credit risk is the risk of loss resulting from a counterparty being unable to meet its contractual obligations to the Group in respect of loans or other financial transactions. 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.

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 core values and principles governing credit risk are contained in the Group Credit Policy which is approved annually by the Court. Further detail regarding the policy, strategies and processes by which credit risk is managed are included in the Risk management Report section from page 60 of the Group's Annual Report 31 December 2015.

The Group ensures that adequate, up-to-date credit management information is available to support the credit management of individual account relationships and the overall loan portfolio. Detail on the schedule and content of credit risk reporting is provided under the heading 'Credit Risk Reporting / Monitoring' on page 77 of the Group's Annual Report 31 December 2015. Disclosures relating to the active monitoring of credit risk are also included in this section. The processes by which credit risk is assessed and measured are set out in the Credit Risk Measurement section on pages 75 and 76 of the Group's Annual Report 31 December 2015.

Capital measurement approaches and capital standards for credit risk are stated within CRD IV / CRR. The CRR details two approaches for the calculation of minimum regulatory capital requirements for credit risk:

- Standardised approach; and
- Internal Ratings Based (IRB) approach.

The Standardised approach involves the application of prescribed regulatory risk weights to credit exposures to calculate the capital requirement.

The IRB approach allow banks, subject to the approval of their regulator, to use their internal credit risk measurement models combined, where appropriate, with regulatory rules, to calculate their regulatory capital requirements.

The Group uses a combination of both the Standardised and IRB approaches for regulatory credit risk capital calculation purposes. IRB approval covers the use of the Foundation IRB approach for non-Retail exposures and the (Advanced) Retail IRB approach for retail exposures. Exposures for which capital requirements continue to be determined under the Standardised approach primarily include sovereign, multilateral development bank exposures, the Group's land and development exposures, certain asset finance and leasing portfolios, non-credit obligation assets and other corporate exposures for which regulatory approval to use the IRB approach is not held. The Group is committed to further rollout of the IRB approach. Further information on the Group's use of its internal rating systems under the IRB approach is available from pages 29 to 31.

Counterparty credit risk exposures are included in credit risk numbers in the Group's Pillar 3 disclosures. Further detail on counterparty credit risk is available in pages 44 and 45.

Exposure to credit risk

Table 4.1 is based on EAD and shows the Group's point-in-time and average quarterly exposure to credit risk.

Table 4.1 - Exposure to credit risk

Exposure class	**31 December 2015** Total exposure (EAD) €m	**31 December 2015** Average exposures over the year (EAD) €m	31 December 2014 Total exposure (EAD) €m	31 December 2014 Average exposures over the year (EAD) €m
IRB approach				
Central governments or central banks	-	-	-	-
Institutions	3,923	4,206	5,634	6,514
Corporates	26,887	27,454	27,593	27,946
of which;				
- SME	*15,303*	*16,144*	*16,362*	*16,409*
- Specialised lending	*1,909*	*1,968*	*1,991*	*1,884*
Retail	55,889	55,945	53,888	53,453
- Secured by immovable property collateral	*52,314*	*52,313*	*50,206*	*49,716*
- Qualifying revolving retail exposures	*1,409*	*1,442*	*1,451*	*1,886*
- Other retail exposures	*2,166*	*2,190*	*2,231*	*1,851*
Securitisation positions	239	269	333	358
Total IRB	**86,938**	**87,874**	87,448	88,271
Standardised approach				
Central governments or central banks	17,287	16,768	17,587	17,662
Regional governments or local authorities	80	91	92	87
Public sector entities	-	-	2	4
Multilateral development banks	715	748	712	638
International organisations	477	458	394	347
Institutions	-	-	-	-
Corporates	5,476	5,392	5,341	5,600
Retail	2,924	2,773	2,319	2,336
Secured by mortgages on immovable property	221	226	-	-
Exposures in default	1,186	1,489	1,718	2,050
Exposures associated with particular high risk	95	87	57	48
Covered bonds	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	34	39	50
Collective investment undertakings	-	-	-	-
Equity	-	-	-	-
Other items	-	6	24	24
Securitisation positions	-	-	-	-
Total Standardised	**28,461**	**28,072**	28,285	28,846
Total	**115,399**	**115,946**	115,733	117,117

The total credit risk exposures at 31 December 2015 are €0.3 billion lower than at 31 December 2014. This decrease is primarily due to a €1.7 billion decrease in exposures to institutions, a €0.3 billion reduction in exposures to central governments or central banks and a reduction in exposures in default of €0.5 billion, partially offset by an increase in retail and mortgage portfolios of €2.8 billion.

Geographic analysis of exposures

Under CRD IV, geographical analysis of credit exposures is required based on exposures in the member states in which the institution has been authorised and member states or third countries in which institutions carry out activities through a branch or subsidiary.

The Group's primary markets are Ireland and the UK. The geographical locations shown in Tables 4.2a and 4.2b are based on the business unit where the exposure is booked, rather than where the borrower is located.

The Group also has branches in the US, Germany and France. The value of exposures booked on the balance sheet of these branches is not material (less than 5% of Group credit exposures on a combined basis) and is included in RoI.

Table 4.2 Geographical analysis of exposures

Table 4.2a - Geographical analysis of exposures - IRB approach

	RoI			UK			Total		
31 December 2015 **IRB approach**	**EAD €m**	**Exposure weighted PD %[1]**	**Exposure weighted LGD %**	**EAD €m**	**Exposure weighted PD %[1]**	**Exposure weighted LGD %**	**EAD €m**	**Exposure weighted PD %[1]**	**Exposure weighted LGD %**
Central governments and central banks	-	-	-	-	-	-	-	-	-
Institutions	3,911	0.2%	27.0%	12	0.1%	45.0%	3,923	0.2%	27.1%
Corporates	20,191	16.7%	42.1%	6,696	21.3%	40.3%	26,887	17.9%	41.6%
of which;									
- SME	*10,316*	*25.1%*	*40.3%*	*4,987*	*26.6%*	*38.7%*	*15,303*	*25.6%*	*39.8%*
- Specialised lending	*1,675*	*6.1%*	*44.7%*	*234*	*0.9%*	*45.0%*	*1,909*	*5.4%*	*44.7%*
Retail	28,683	11.6%	21.4%	27,206	4.5%	10.5%	55,889	8.2%	16.1%
- Secured by immovable property collateral	*25,108*	*11.4%*	*16.9%*	*27,206*	*4.5%*	*10.5%*	*52,314*	*7.8%*	*13.6%*
- Qualifying revolving retail exposures	*1,409*	*4.7%*	*43.5%*	-	-	-	*1,409*	*4.7%*	*43.5%*
- Other retail exposures	*2,166*	*18.7%*	*58.3%*	-	-	-	*2,166*	*18.7%*	*58.3%*
Securitisation positions	239	-	-	-	-	-	239	-	-
Total	**53,024**	**12.7%**	**29.6%**	**33,914**	**7.8%**	**16.4%**	**86,938**	**10.8%**	**24.4%**

	RoI			UK			Total		
31 December 2014 IRB approach	EAD €m	Exposure weighted PD %[1]	Exposure weighted LGD %	EAD €m	Exposure weighted PD %[1]	Exposure weighted LGD %	EAD €m	Exposure weighted PD %[1]	Exposure weighted LGD %
Central governments and central banks	-	-	-	-	-	-	-	-	-
Institutions	5,488	0.3%	30.6%	146	0.2%	45.0%	5,635	0.3%	31.0%
Corporates	22,110	19.3%	42.0%	5,483	37.7%	39.4%	27,593	23.0%	41.5%
of which;									
- SME	*11,195*	*31.0%*	*40.4%*	*5,167*	*36.2%*	*39.2%*	*16,362*	*32.6%*	*40.0%*
- Specialised lending	*1,991*	*4.7%*	*44.7%*	-	-	-	*1,991*	*4.7%*	*44.7%*
Retail	29,676	14.8%	22.4%	24,212	5.1%	10.0%	53,888	10.4%	16.7%
- Secured by immovable property collateral	*25,995*	*14.6%*	*18.0%*	*24,211*	*5.1%*	*10.0%*	*50,206*	*10.0%*	*14.0%*
- Qualifying revolving retail exposures	*1,450*	*6.5%*	*44.0%*	*1*	*6.9%*	*60.0%*	*1,451*	*6.5%*	*45.0%*
- Other retail exposures	*2,231*	*22.1%*	*59.2%*	-	-	-	*2,231*	*22.1%*	*59.2%*
Securitisation positions	333	-	-	-	-	-	333	-	-
Total	**57,607**	**15.1%**	**30.6%**	**29,841**	**11.1%**	**15.6%**	**87,448**	**13.7%**	**25.5%**

[1] The figures in this table include defaulted exposures. The Exposure weighted PD % therefore reflects the inclusion of defaulted exposures which have a PD of 100%.

Geographic analysis of exposures (continued)

Table 4.2b - Geographic analysis of exposures - Standardised approach

	31 December 2015			31 December 2014		
Standardised approach	**RoI (EAD) €m**	**UK (EAD) €m**	**Total (EAD) €m**	RoI (EAD) €m	UK (EAD) €m	Total (EAD) €m
Central governments or central banks	12,086	5,201	17,287	13,074	4,513	17,587
Regional governments or local authorities	80	-	80	89	3	92
Public sector entities	-	-	-	2	-	2
Multilateral development banks	191	524	715	187	525	712
International organisations	477	-	477	394	-	394
Institutions	-	-	-	-	-	-
Corporates	4,017	1,459	5,476	3,778	1,563	5,341
Retail	747	2,177	2,924	542	1,777	2,319
Secured by mortgages on immovable property	221	-	221	-	-	-
Exposures in default	861	325	1,186	1,254	464	1,718
Exposures associated with particularly high risk	95	-	95	57	-	57
Covered bonds	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	39	-	39
Collective investment undertakings	-	-	-	-	-	-
Equity	-	-	-	-	-	-
Other items	-	-	-	24	-	24
Securitisation positions	-	-	-	-	-	-
Total	**18,775**	**9,686**	**28,461**	19,440	8,845	28,285

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Industry analysis of exposures

Table 4.3 is based on EAD. The industry classification below is based on the purpose of the loan. Similar industry headings to those in the industry analysis contained in the Group's Annual Report 31 December 2015 have been used, however, the values will differ as these tables are based on EAD.

Table 4.3 - Industry analysis of exposure 31 December 2015

Exposure class	Agriculture (EAD) €m	Business and other services (EAD) €m	Central and local government (EAD) €m	Construction and property (EAD) €m	Distribution (EAD) €m	Energy (EAD) €m	Financial (EAD) €m	Manufacturing (EAD) €m	Transport (EAD) €m	Other personal (EAD) €m	Personal residential mortgages (EAD) €m	Total (EAD) €m
IRB approach												
Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	-	-	-	-	-	3,923	-	-	-	-	3,923
Corporates	936	6,533	-	10,328	2,072	564	1,215	3,505	1,474	260	-	26,887
Retail	683	483	-	181	213	1	13	70	37	1,819	52,389	55,889
Securitisation positions	-	121	-	-	-	-	-	-	-	118	-	239
Total IRB	**1,619**	**7,137**	**-**	**10,509**	**2,285**	**565**	**5,151**	**3,575**	**1,511**	**2,197**	**52,389**	**86,938**
Standardised approach												
Central governments or central banks	-	-	17,287	-	-	-	-	-	-	-	-	17,287
Regional government or local authorities	-	-	80	-	-	-	-	-	-	-	-	80
Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	715	-	-	-	-	715
International organisations	-	-	-	-	-	-	477	-	-	-	-	477
Corporates	538	1,210	-	1,137	764	12	667	160	433	464	91	5,476
Retail	180	286	-	75	108	6	16	49	64	2,138	2	2,924
Secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-	-	221	221
Exposures in default	43	85	-	807	36	-	8	12	3	186	6	1,186
Exposures associated with particularly high risk	-	49	-	-	-	-	46	-	-	-	-	95
Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
Institutions and corporates with a ST credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-	-	-	-	-	-
Total Standardised	**761**	**1,630**	**17,367**	**2,019**	**908**	**18**	**1,929**	**221**	**500**	**2,788**	**320**	**28,461**
Total	**2,380**	**8,767**	**17,367**	**12,528**	**3,193**	**583**	**7,080**	**3,796**	**2,011**	**4,985**	**52,709**	**115,399**

Industry analysis of exposures (continued)

Table 4.3 - Industry analysis of exposure
31 December 2014

Exposure class	Agriculture (EAD) €m	Business and other services (EAD) €m	Central and local government (EAD) €m	Construction and property (EAD) €m	Distribution (EAD) €m	Energy (EAD) €m	Financial (EAD) €m	Manufacturing (EAD) €m	Transport (EAD) €m	Other personal (EAD) €m	Personal residential mortgages (EAD) €m	Total (EAD) €m
IRB approach												
Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	-	-	-	-	-	5,634	-	-	-	-	5,634
Corporates	914	6,444	8	11,491	2,050	553	1,009	3,461	1,362	294	7	27,593
Retail	643	467	-	191	219	2	29	74	37	1,969	50,257	53,888
Securitisation positions	-	176	-	-	-	-	-	-	-	157	-	333
Total IRB	1,557	7,087	8	11,682	2,269	555	6,672	3,535	1,399	2,420	50,264	87,448
Standardised approach												
Central governments or central banks	-	-	17,587	-	-	-	-	-	-	-	-	17,587
Regional government or local authorities	-	-	92	-	-	-	-	-	-	-	-	92
Public sector entities	-	-	-	-	2	-	-	-	-	-	-	2
Multilateral development banks	-	-	-	-	-	-	712	-	-	-	-	712
International organisations	-	-	-	-	-	-	394	-	-	-	-	394
Corporates	450	1,525	-	1,019	647	13	454	151	473	524	85	5,341
Retail	151	297	-	38	100	3	4	35	39	1,652	-	2,319
Secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in default	43	104	-	1,217	38	-	31	16	7	235	27	1,718
Exposures associated with particularly high risk	-	57	-	-	-	-	-	-	-	-	-	57
Institutions and corporates with a ST credit assessment	8	11	-	7	7	-	1	3	1	1	-	39
Other items	-	-	-	-	-	-	24	-	-	-	-	24
Total Standardised	652	1,994	17,679	2,281	794	16	1,620	205	520	2,412	112	28,285
Total	2,209	9,081	17,687	13,963	3,063	571	8,292	3,740	1,919	4,832	50,376	115,733

Maturity analysis of exposures

The maturity analysis below discloses the Group’s credit exposure by residual contractual maturity date. Table 4.4 is based on EAD.

Table 4.4 - Maturity analysis of exposure

31 December 2015 **Exposure class**	**<1 year (EAD) €m**	**1-5 years (EAD) €m**	**>5 years (EAD) €m**	**Total (EAD) €m**
IRB approach				
Central governments or central banks	-	-	-	-
Institutions	1,370	1,382	1,171	3,923
Corporates	5,897	11,133	9,857	26,887
Retail	5,661	12,584	37,644	55,889
Securitisation positions	-	32	207	239
Total IRB	**12,982**	**25,131**	**48,879**	**86,938**
Standardised approach				
Central governments or central banks	9,745	3,132	4,410	17,287
Regional government or local authorities	12	15	53	80
Public sector entities	-	-	-	-
Multilateral development banks	1	714	-	715
International organisations	-	477	-	477
Corporates	781	3,029	1,666	5,476
Retail	781	2,128	15	2,924
Secured by mortgages on immovable property	-	-	221	221
Exposures in default	799	165	222	1,186
Exposures associated with particularly high risk	10	17	68	95
Institutions and corporates with a short-term credit assessment	-	-	-	-
Collective investment undertakings	-	-	-	-
Other items	-	-	-	-
Total Standardised	**12,129**	**9,677**	**6,655**	**28,461**
Total	**25,057**	**34,808**	**55,534**	**115,399**

31 December 2014 Exposure class	<1 year (EAD) €m	1-5 years (EAD) €m	>5 years (EAD) €m	Total (EAD) €m
IRB approach				
Central governments or central banks	-	-	-	-
Institutions	2,716	1,228	1,690	5,634
Corporates	7,561	9,904	10,128	27,593
Retail	4,506	11,552	37,830	53,888
Securitisation positions	26	42	265	333
Total IRB	14,809	22,726	49,913	87,448
Standardised approach				
Central governments or central banks	9,030	4,042	4,515	17,587
Regional government or local authorities	5	27	60	92
Public sector entities	-	2	-	2
Multilateral development banks	32	680	-	712
International organisations	-	394	-	394
Corporates	1,105	2,499	1,737	5,341
Retail	619	1,679	21	2,319
Secured by mortgages on immovable property	-	-	-	-
Exposures in default	839	566	313	1,718
Exposures associated with particularly high risk	-	-	57	57
Institutions and corporates with a short-term credit assessment	38	1	-	39
Other items	-	-	24	24
Total Standardised	11,668	9,890	6,727	28,285
Total	26,477	32,616	56,640	115,733

IRB approach

This section covers the Group's use of its internal rating systems under the IRB approaches.

Regulatory approval of approach

The Group has regulatory approval to use its internal credit models in the calculation of its capital requirements for 75% (31 December 2014: 76%) of its exposures. 81% (31 December 2014: 80%) of credit RWA are calculated using internal credit models. This approval covers the use of the Foundation IRB approach for non-retail exposures and the (Advanced) Retail IRB approach for retail exposures. Exposures for which capital requirements continue to be determined under the Standardised approach primarily include sovereign, multilateral development bank exposure, the Group's land and development exposures, certain asset finance and leasing portfolios, non-credit obligation assets and other corporate exposures for which regulatory approval to use the IRB approach is not held. The Group is committed to further rollout of the IRB approach.

The structure of internal rating systems

The Group divides its internal rating systems into non-retail and retail approaches. Both approaches differentiate Probability of Default (PD) estimates into 11 grades in addition to the category of default.

For both non-retail and retail internal rating systems, default is defined based on 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:

1. Through-the-Cycle (TtC) estimates are estimates of default over an entire economic cycle, averaged to a 12-month basis. These are in effect long-run average expectations of PD for a borrower over the economic cycle; and
2. Cyclical estimates are estimates of default applicable to the next immediate 12 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. The Group uses supervisory estimates of Loss Given Default (LGD), typically ranging between 35% and 45% depending on collateral levels, and Credit Conversion Factors (CCF).

To calculate PD, the Group assesses the credit quality of borrowers and other counterparties using criteria particular to the type of borrower under consideration. With the exception of the Institutions IRB exposure class, these criteria do not include external ratings. External ratings play a role in the assessment of Institutions where they may inform an override of the Group's Institutions PD model. For exposures other than to Institutions, external ratings, when available for borrowers, play a role in the independent validation of internal estimates.

For non-retail exposures, the Group produces its own estimates of PD on a TtC basis and on a cyclical basis. The TtC estimates, which do not vary with the economic cycle, are used to calculate risk weighted exposure amounts and to determine minimum regulatory capital requirements. The cyclical PD estimates which capture a change in borrower risk over the economic cycle, are used for internal credit management purposes. Both measures are estimated from the same borrower risk factors.

IRB approach (continued)

Retail internal rating systems

The Group has adopted the Retail IRB approach for certain of its retail exposures. Under this approach, the Group calculates its own estimates for PD, LGD and CCF. 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.

For retail exposures, the Group calculates PD on a single, cyclical basis (although for most rating systems, limited cyclicality is observed). These estimates are used for both the calculation of risk weighted exposure amounts and for internal credit management purposes. To calculate LGD and CCF, the Group assesses the nature of the transaction and underlying collateral. Both LGD and CCF estimates are calibrated to produce estimates of behaviour characteristic of an economic downturn or long term average, whichever is the most conservative.

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;
- Economic Capital;
- Calculation of Risk Adjusted Return on Capital (RARoC);
- Credit Decisioning;
- Borrower Credit Approval; and
- Internal Capital Allocation between businesses of the Group.

For non-retail exposures, TtC PD estimates are used to calculate internal economic capital. For other purposes, the cyclical PD estimates are used. Both estimates feature within internal management reporting.

Association of PD grades with external ratings

Table 4.5 illustrates the relationship between PD grade, PD band and S&P type ratings. PD is used in the IRB RWA calculation. These PD grades differ from internal obligor grades which are used in arriving at IFRS 7 classifications, however there is a defined relationship between both sets of grades.

Table 4.5 - Relationship of PD grades with external ratings

PD grade	PD	S&P type ratings
1 - 4	0% ≤ PD < 0.26%	AAA, AA+, AA, AA-, A+, A, A-, BBB+
5 - 7	0.26% ≤ PD < 1.45%	BBB, BBB-, BB+, BB
8 - 9	1.45% ≤ PD < 3.60%	BB-, B+
10 - 11	3.60% ≤ PD < 100%	B, Below B
Default	100%	N/A

IRB approach (continued)

Control mechanisms for rating systems

The control mechanisms for rating systems are set out in the Group's Credit IRB Model Policy and Standards. More generally, model risk is one of the ten key risk types identified by the Group, the governance of which is outlined in the Group's Risk Framework and the Group Model Risk Policy.

A committee appointed by the Group Risk Policy Committee (GRPC), the Risk Measurement Committee (RMC), approves all credit risk rating models, model developments, model implementations and all associated policies and standards. The Group mitigates model risk as follows:

- *IRB 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;
- *IRB Model Governance:* The Group adopts a uniform approach to the governance of all model-related activities. This ensures the appropriate involvement of stakeholders ensuring responsibilities and accountabilities are clear. The Risk Measurement Team acts on behalf of the RMC as the governance body overseeing these activities;
- *IRB Model Performance Monitoring:* All models are subject to back-testing on a quarterly basis. The findings are reported to the RMC and appropriate actions, when necessary are approved. The Group has defined standards on IRB model performance monitoring; and
- *Independent Validation:* All models are subject to in-depth review typically annually. This analysis is carried out by a dedicated unit (the Independent Control Unit (ICU)) which is part of Risk Strategy, Analysis and Reporting (RSAR). It is independent of credit origination and management functions and of the model development functions. The ICU's report is considered by the RMC in approving models for use in the business and for capital requirements calculation purposes.

In addition to these model risk mitigants, using a risk-based approach, Group Internal Audit periodically reviews the risk control framework including policies and standards to ensure that these controls 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.

The internal ratings process by exposure class

Details on how the internal ratings process is applied to each individual IRB exposure class are given below. Departures from Group standards outlined above are not permitted.

Corporates

Corporate entities, including certain SME and specialised lending exposures are rated using a number of models. This suite of models typically incorporates scorecard-based calibrated PD outputs (both TtC and cyclical PD estimates). The Group does not rate purchased corporate receivables under the IRB approach. Information on the Corporates Foundation IRB exposure class is provided in Table 4.6.

Institutions

Institutions are rated by a single dedicated model. This is an internally-built scorecard and the output from this model is a single PD estimate that is fully TtC. Information on the Institutions Foundation IRB exposure class is provided in Table 4.6.

Retail

Retail exposures including Mortgages, Qualifying Revolving Retail Exposures (credit cards) and certain Retail SME and Consumer loans are rated on a number of models based on application and behavioural data which is calibrated to a PD. This PD estimate typically varies with the economic cycle. The Group also generates LGD and CCF estimates for its retail exposures. These estimates are calibrated to produce estimates of behaviour characteristic of an economic downturn or long term average, whichever is the most conservative. These estimates do not vary with the economic cycle. Information on the Retail IRB exposure classes is provided in Table 4.7.

Securitisations

Capital requirements for securitisation exposures (retained and purchased) are also determined under the IRB approach. These are dealt with in the Securitisation section.

Analysis of credit quality - Foundation IRB

Table 4.6 is based on EAD and shows the breakdown of the Foundation IRB exposure classes by PD grade. Counterparty credit risk exposures and related risk weighted assets are included in the numbers below.

Table 4.6a - Analysis of credit quality Foundation IRB - exposure class

PD Grade	CRD IV					
31 December 2015	**Total exposures (EAD) €m**	**Total risk weighted assets (RWA) €m**	**Exposure weighted average risk weight %**	**Exposure weighted average LGD %**	**Off-balance sheet EAD €m**	**Expected loss €m**
Institutions						
1 to 4	3,275	632	19%	29%	19	-
5 to 7	595	201	34%	19%	15	1
8 to 9	48	21	43%	16%	-	-
10 to 11	5	11	206%	45%	3	-
Default	-	-	0%	0%	-	-
Total Institutions	**3,923**	**865**	**22%**	**27%**	**37**	**1**
Corporates						
1 to 4	2,867	1,154	40%	43%	696	2
5 to 7	9,352	7,550	81%	41%	944	31
8 to 9	5,907	6,823	116%	42%	314	59
10 to 11	4,531	5,937	131%	40%	66	156
Default	4,230	-	0%	43%	73	1,816
Total Corporates	**26,887**	**21,464**	**80%**	**42%**	**2,093**	**2,064**
Corporates: of which SME						
1 to 4	617	195	32%	42%	20	-
5 to 7	4,380	2,560	58%	39%	178	12
8 to 9	3,013	2,534	84%	39%	56	28
10 to 11	3,807	4,528	119%	39%	30	132
Default	3,486	-	0%	42%	59	1,464
Total Corporates: of which SME	**15,303**	**9,817**	**64%**	**40%**	**343**	**1,636**
Corporates: of which Specialised Lending						
1 to 4	143	60	42%	45%	64	0
5 to 7	1,116	981	88%	45%	112	4
8 to 9	358	434	121%	44%	38	3
10 to 11	219	378	173%	45%	12	6
Default	73	-	0%	45%	2	33
Total Corporates: of which Specialised Lending	**1,909**	**1,853**	**97%**	**45%**	**228**	**46**

The EAD under the Foundation IRB approach at 31 December 2015 includes defaulted exposures of €4.2 billion (31 December 2014: €5.8 billion) which attracts a 0% risk weighting. The exposure weighted average risk weight percentage and expected loss for the performing grades (grades 1-11) in Foundation IRB and Retail IRB and the defaulted expected loss across the Retail IRB exposure class includes the impact of the Group's application of certain Central Bank of Ireland required adjustments, as part of the 2013 Balance Sheet Assessment adjustments to the outputs of the Group's risk weighted assets calculations.

Analysis of credit quality - Foundation IRB (continued)

Table 4.6b - Analysis of credit quality Foundation IRB - exposure class

PD grade	CRD IV					
31 December 2014	Total exposures (EAD) €m	Total risk weighted assets (RWA) €m	Exposure weighted average risk weight %	Exposure weighted average LGD %	Off-balance sheet EAD €m	Expected loss €m
Institutions						
1 to 4	4,834	867	18%	33%	20	4
5 to 7	666	237	36%	19%	12	1
8 to 9	134	54	41%	14%	4	-
10 to 11	-	-	0%	0%	-	-
Default	-	-	0%	0%	-	-
Total Institutions	5,634	1,158	21%	31%	36	5
Corporates						
1 to 4	2,915	1,019	35%	42%	781	2
5 to 7	8,480	6,962	82%	42%	911	29
8 to 9	6,106	6,725	110%	41%	304	60
10 to 11	4,331	5,532	128%	40%	46	151
Default	5,761	-	0%	42%	41	2,459
Total Corporates	27,593	20,238	73%	41%	2,083	2,701
Corporates: of which SME						
1 to 4	755	228	30%	38%	38	-
5 to 7	3,250	1,960	60%	39%	109	10
8 to 9	3,537	2,993	85%	39%	39	33
10 to 11	3,935	4,725	120%	40%	29	138
Default	4,885	-	0%	42%	25	2,061
Total Corporates: of which SME	16,362	9,906	61%	40%	240	2,242
Corporates: of which Specialised Lending						
1 to 4	166	69	42%	45%	56	-
5 to 7	1,353	1,245	92%	45%	123	5
8 to 9	343	436	127%	45%	15	3
10 to 11	56	97	173%	44%	3	1
Default	73	-	0%	45%	2	33
Total Corporates: of which Specialised Lending	1,991	1,847	93%	45%	199	42

The exposure weighted average LGD for the Corporates exposure class is less than the supervisory LGD of 45% due to the impact of collateral held. Refer to Table 4.16 for additional information. The exposure weighted average LGD for the Institutions exposure class is less than the supervisory LGD of 45% due to the inclusion of covered bonds in the exposure class which attract a regulatory prescribed LGD of 11.25% given the secured nature of these transactions partially offset by the higher 75% LGD on subordinated bonds.

Analysis of credit quality - Retail IRB

Table 4.7 is based on EAD and shows the breakdown of the Retail sub-exposure classes by PD grade.

Table 4.7a - Analysis of credit quality Retail IRB - exposure class

PD grade	CRD IV						
31 December 2015	**Total exposures (EAD) €m**	**Total risk weighted assets (RWA) €m**	**Exposure weighted average risk weight %**	**Exposure weighted average LGD %**	**Amount of undrawn commitments €m**	**Weighted average CCF %**	**Expected loss €m**
RoI mortgages							
1 to 4	6,625	412	6%	15%	539	32%	2
5 to 7	12,282	1,886	15%	16%	655	34%	12
8 to 9	1,635	723	44%	18%	7	55%	7
10 to 11	2,247	2,322	103%	20%	1	61%	95
Default	2,319	1,398	60%	26%	-	0%	922
Total	**25,108**	**6,741**	**27%**	**17%**	**1,202**	**33%**	**1,038**
UK mortgages							
1 to 4	12,603	519	4%	9%	99	0%	2
5 to 7	9,436	1,568	17%	11%	592	66%	11
8 to 9	2,686	1,115	42%	12%	251	74%	11
10 to 11	1,905	1,382	73%	12%	128	65%	97
Default	576	533	92%	16%	3	0%	94
Total	**27,206**	**5,117**	**19%**	**10%**	**1,073**	**62%**	**215**
Total mortgages	**52,314**	**11,858**	**23%**	**14%**	**2,275**	**47%**	**1,253**
Qualifying revolving exposures							
1 to 4	223	8	4%	33%	515	29%	-
5 to 7	823	107	13%	48%	1,344	41%	2
8 to 9	177	58	33%	44%	153	42%	2
10 to 11	151	107	71%	36%	113	31%	8
Default	35	25	70%	48%	6	58%	17
Total	**1,409**	**305**	**22%**	**43%**	**2,131**	**38%**	**29**
Other retail exposures							
1 to 4	165	30	18%	54%	321	45%	-
5 to 7	349	174	50%	57%	206	51%	2
8 to 9	747	546	73%	57%	58	59%	11
10 to 11	569	510	90%	60%	29	60%	31
Default	336	137	41%	63%	5	57%	224
Total	**2,166**	**1,397**	**65%**	**58%**	**619**	**49%**	**268**
Retail Total	**55,889**	**13,560**	**24%**	**16%**	**5,025**	**43%**	**1,550**

Analysis of credit quality - Retail IRB (continued)

Table 4.7 is based on EAD and shows the breakdown of the Retail sub-exposure classes by PD grade.

Table 4.7b - Analysis of credit quality Retail IRB - exposure elass

PD grade	CRD IV						
31 December 2014	Total exposures (EAD) €m	Total risk weighted assets (RWA) €m	Exposure weighted average risk weight %	Exposure weighted average LGD %	Amount of undrawn commitments €m	Weighted average CCF %	Expected loss €m
RoI mortgages							
1 to 4	6,291	404	6%	15%	616	35%	2
5 to 7	12,634	2,053	16%	16%	681	36%	13
8 to 9	1,544	693	45%	18%	4	58%	7
10 to 11	2,308	2,385	103%	20%	1	85%	108
Default	3,218	2,000	62%	26%	-	0%	1,220
Total	25,995	7,535	29%	18%	1,302	36%	1,350
UK mortgages							
1 to 4	12,418	459	4%	10%	106	0%	2
5 to 7	7,748	1,133	15%	10%	418	63%	8
8 to 9	1,781	629	35%	10%	67	73%	6
10 to 11	1,584	1,043	66%	10%	48	62%	71
Default	680	621	91%	10%	1	0%	72
Total	24,211	3,885	16%	10%	640	53%	159
Total mortgages	50,206	11,420	23%	14%	1,942	42%	1,509
Qualifying revolving exposures							
1 to 4	204	6	3%	34%	474	29%	-
5 to 7	826	107	13%	49%	1,354	40%	2
8 to 9	189	62	33%	46%	170	43%	2
10 to 11	175	125	72%	37%	125	31%	10
Default	57	33	58%	46%	7	61%	26
Total	1,451	333	23%	45%	2,130	38%	40
Other retail exposures							
1 to 4	166	30	18%	54%	327	45%	-
5 to 7	341	166	49%	57%	219	51%	2
8 to 9	727	543	75%	58%	61	59%	11
10 to 11	577	535	93%	61%	31	60%	33
Default	420	174	41%	63%	7	57%	285
Total	2,231	1,448	65%	59%	645	49%	331
Retail Total	53,888	13,201	24%	17%	4,717	41%	1,880

Analysis of credit quality - Standardised approach

The Standardised approach applies where exposures do not qualify for use of an IRB approach and / or where an exemption from IRB has been granted. It is less sophisticated than the IRB approach for regulatory capital calculations. Under this approach, credit risk is measured by applying risk weights outlined in CRD IV based on the exposure class to which the exposure is allocated. The following tables outline the Standardised exposure classes by CRD IV prescribed risk weight.

The total weighted average risk weight on Standardised exposures, excluding sovereign, multilateral development bank and international organisation exposures at 31 December 2015 is 87% (31 December 2014: 91%).

Table 4.8 - Analysis of credit quality
Standardised approach - exposure class
EAD €m

	Risk weight									
31 December 2015	**0%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**250%**	**Total EAD**	**Total RWA**
Central governments or central banks	17,287	-	-	-	-	-	-	-	17,287	-
Regional government or local authorities	-	80	-	-	-	-	-	-	80	16
Public sector entities	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	715	-	-	-	-	-	-	-	715	-
International organisations	477	-	-	-	-	-	-	-	477	-
Institutions	-	-	-	-	-	-	-	-	-	-
Corporate[1]	-	7	-	6	-	5,463	-	-	5,476	5,019
Retail[1]	-	-	-	-	2,924	-	-	-	2,924	2,052
Secured by mortgages on immovable property	-	-	221	-	-	-	-	-	221	77
Exposures in default	-	-	-	-	-	735	451	-	1,186	1,412
Exposures associated with particularly high risk	-	-	-	-	-	-	95	-	95	142
Covered bonds	-	-	-	-	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
Collective investment undertakings	-	-	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	-	-
Total EAD	**18,479**	**87**	**221**	**6**	**2,924**	**6,198**	**546**	**-**	**28,461**	**-**
Total RWA	**-**	**17**	**77**	**3**	**2,052**	**5,750**	**819**	**-**	**-**	**8,718**

[1] *Certain Corporate and Retail SME Standardised exposures also qualify for the application of reduced risk weights.*

Analysis of credit quality - Standardised approach (continued)

Table 4.8 - Analysis of credit quality
Standardised approach - exposure class
EAD €m

	Risk weight									
31 December 2014	0%	20%	35%	50%	75%	100%	150%	250%	Total EAD	Total RWA
Central governments or central banks	17,587	-	-	-	-	-	-	-	17,587	-
Regional government or local authorities	-	92	-	-	-	-	-	-	92	19
Public sector entities	-	-	-	-	-	2	-	-	2	2
Multilateral development banks	712	-	-	-	-	-	-	-	712	-
International organisations	394	-	-	-	-	-	-	-	394	-
Institutions	-	-	-	-	-	-	-	-	-	-
Corporate	1	108	-	-	-	5,232	-	-	5,341	4,865
Retail	-	5	-	-	2,314	-	-	-	2,319	1,649
Secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-	-
Exposures in default	-	-	-	-	-	1,006	712	-	1,718	2,075
Exposures associated with particularly high risk	-	-	-	-	-	-	57	-	57	85
Covered bonds	-	-	-	-	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	39	-	-	39	31
Collective investment undertakings	-	-	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	24	-	-	24	24
Securitisation positions	-	-	-	-	-	-	-	-	-	-
Total EAD	18,694	205	-	-	2,314	6,303	769	-	28,285	-
Total RWA	-	41	-	-	1,649	5,907	1,153	-	-	8,750

Loan loss experience in the year ended 31 December 2015

A discussion on the factors which impacted the loan loss experience in the year ended 31 December 2015 is included in the Risk Management Report of the Group's Annual Report 31 December 2015 (under the Credit Risk section from page 76).

Past due and impaired exposures

Past due exposures are loans where repayment of principal and / or interest are overdue by at least one day but which are not impaired. Impaired loans are loans with a specific impairment provision attaching to them together with loans (excluding Residential mortgages) which are more than 90 days in arrears.

For additional information on past due and impaired exposures, please refer to pages 75 to 102 of the Group's Annual Report 31 December 2015.

Past due and impaired exposures by industry

Table 4.9 is based on financial statement information and discloses 'past due but not impaired' and 'impaired' balances by industry class.

Table 4.9 - Past due and impaired exposures by industry class

	31 December 2015			31 December 2014		
	Past due exposures €m	**Impaired exposures €m**	**Total €m**	Past due exposures €m	Impaired exposures €m	Total €m
Personal	2,067	2,337	4,404	2,679	2,973	5,652
- Residential mortgages	*1,994*	*2,201*	*4,195*	*2,584*	*2,784*	*5,368*
- Other	*73*	*136*	*209*	*95*	*189*	*284*
Property & construction	374	4,917	5,291	336	7,074	7,410
Business & other services	47	1,456	1,503	64	1,745	1,809
Manufacturing	9	327	336	24	433	457
Distribution	18	541	559	35	698	733
Transport	1	178	179	2	164	166
Financial	1	24	25	3	50	53
Agriculture	29	202	231	31	258	289
Energy	-	1	1	-	3	3
Total	**2,546**	**9,983**	**12,529**	3,174	13,398	16,572

Past due and impaired exposures by geography

Table 4.10 is based on financial statement information and discloses 'past due but not impaired' and 'impaired' balances by geographic location, which are based on the location of the business unit where the exposure is booked.

Table 4.10 - Past due and impaired exposure by geography

	31 December 2015				31 December 2014			
	Past due exposures				Past due exposures			
	<90 days past due €m	**>90 days past due €m**	**Impaired exposures €m**	**Total €m**	<90 days past due €m	>90 days past due €m	Impaired exposures €m	Total €m
RoI	678	361	7,531	8,570	864	677	9,808	11,349
UK	1,307	200	2,452	3,959	1,368	265	3,590	5,223
Total	**1,985**	**561**	**9,983**	**12,529**	2,232	942	13,398	16,572

Specific credit risk adjustments (provisions)

The loan loss provisioning methodology used by the Group is set out on pages 99 and 100 of the Group's Annual Report 31 December 2015.

This includes:
- a description of the type of provisions; and
- a description of the approaches and methods adopted for determining provisions.

CRD IV introduced the definition of 'specific' and 'general' credit risk adjustments and, in line with the relevant technical standard, the Group has included 'specific provisions' and 'IBNR' as specific credit risk adjustments. The Group has no 'general' credit risk adjustments.

Specific credit risk adjustments by industry and geography

Table 4.11 shows the specific credit risk adjustments and provision charge by industry classification. It is based on financial statement information.

Table 4.11 - Specific credit risk adjustments by industry

	31 December 2015		31 December 2014	
Industry class	**Total specific credit risk adjustments €m**	**Charges for specific credit risk adjustments €m**	Total specific credit risk adjustments €m	Charges for specific credit risk adjustments €m
Personal	1,440	(99)	1,789	(127)
- Residential mortgages	*1,297*	*(96)*	*1,604*	*(148)*
- Other	*143*	*(3)*	*185*	*21*
Property & construction	3,001	246	3,935	451
Business & other services	885	79	1,045	144
Manufacturing	180	23	234	42
Distribution	292	35	334	28
Agriculture	84	11	80	3
Energy	4	1	6	1
Total	**5,886**	**296**	7,423	542

Specific credit risk adjustments (provisions) (continued)

Table 4.12 shows the Group's specific credit risk adjustments on loans and advances to customers split between specific provisions and IBNR provisions on a geographic basis. The geographic locations shown are based on the location of the business unit where the exposure is booked. It is based on financial statement information.

Table 4.12 - Specific credit risk adjustments by geography

	31 December 2015			31 December 2014		
Geographic breakdown	**Specific provisions €m**	**IBNR provisions €m**	**Total €m**	Specific provisions €m	IBNR provisions €m	Total €m
RoI	4,090	453	4,543	5,149	529	5,678
UK	1,185	158	1,343	1,567	178	1,745
Total	**5,275**	**611**	**5,886**	6,716	707	7,423

Specific credit risk adjustments by provision type

Table 4.13 shows the Group's provisions against loans and advances to customers split by specific provisions and IBNR provisions.

Table 4.13 - Specific credit risk adjustments by provision type

	31 December 2015		31 December 2014	
Specific credit risk adjustments	**Total specific credit risk adjustments €m**	**Specific credit risk adjustments charges €m**	Total specific credit risk adjustments €m	Specific credit risk adjustments charges €m
Total specific provisions	5,275	405	6,716	739
Total IBNR provisions	611	(109)	707	(197)
Total Group specific credit risk adjustments	**5,886**	**296**	7,423	542

Specific credit risk adjustments by regulatory approach

Table 4.14 shows the Group's provisions against loans and advances to customers split by specific provisions and IBNR provisions and between regulatory approach, Standardised or IRB. It is based on financial statement information.

Table 4.14 - Specific credit risk adjustments by regulatory approach

	31 December 2015			31 December 2014		
Specific credit risk adjustments	**IRB provisions €m**	**Standardised provisions €m**	**Total €m**	IRB provisions €m	Standardised provisions €m	Total €m
Total specific provisions	3,211	2,064	5,275	3,919	2,797	6,716
Total IBNR provisions	554	57	611	652	55	707
Total Group specific credit risk adjustments	**3,765**	**2,121**	**5,886**	4,571	2,852	7,423

Specific credit risk adjustments (provisions) (continued)

Specific credit risk adjustment charges during the year

Table 4.15 below shows the movement in the provision on loans and advances to customers during the year ended 31 December 2015. It is based on financial statement information.

Table 4.15 - Specific credit risk adjustment charges during the year

Provisions	**31 December 2015 €m**	31 December 2014 €m
Opening balance	7,423	8,241
Amount charged during the year	296	542
Provisions utilised, reversed and other movements	(1,833)	(1,360)
of which;		
- Recoveries	*17*	*6*
Closing balance	**5,886**	7,423

Credit risk mitigation

The credit risk section on pages 68 and 94 of the Group's Annual Report 31 December 2015 contains information relating to:

- the policies and processes for collateral valuation and management; and
- a description of the main types of collateral taken by the Group.

Collateral used to mitigate risk, both for mortgage and other lending is diversified. The main types of guarantors are corporates, individuals, financial institutions and sovereigns. Their creditworthiness is assessed on a case-by-case basis.

Credit risk mitigation for regulatory capital requirements calculation

For Retail IRB exposures, the effect of credit risk mitigation, principally due to the collateral taken to secure loans, is taken into account in the development of the Group's LGD models, which in turn are used in the calculation of the Group's regulatory capital requirements. As a result, Table 4.16 does not include Retail IRB exposures.

For non-retail Foundation IRB exposures, supervisory LGDs are used for minimum regulatory capital requirements calculation purposes as is required under the CRR. These LGDs are either applied directly to obligors, or are reduced through the recognition of the risk-mitigating impact of qualifying collateral held.

Under the IRB approach, depending on the type of credit risk mitigation applied, PD or LGD may be impacted. Under the Standardised approach, credit risk mitigation impacts the risk weight which is then subsequently applied to the exposure amount to derive the capital requirement. Therefore, the EAD amounts shown in Table 4.17 do not alter following the application of credit risk mitigation.

Tables 4.16 and 4.17 show the volume of exposures against which collateral and guarantees, which have been used in the calculation of the Group's capital requirements, are held. The focus of these tables is narrow, being limited to certain specific types of collateral and guarantees which meet CRR definitions. These tables are not reflective of the volume of exposures against which collateral and guarantees are actually held across the Group, nor do they reflect the range of credit risk mitigation taken. The information in Tables 4.16 and 4.17 is based on EAD (after the application of netting and supervisory volatility adjustments) against which credit risk mitigation benefit is recognised. The tables also exclude exposures where the Group nets derivative mark-to-market positions with certain interbank counterparties against cash collateral placed and received with those counterparties under CSA agreements. For cash collateral held against derivative exposures refer to Table 5.1.

Credit risk mitigation (continued)

Table 4.16 - Credit risk mitigation

IRB approach - exposure class **31 December 2015**	**Covered by eligible financial collateral (EAD) €m**	**Covered by other eligible collateral (EAD) €m**	**Covered by guarantees / credit derivatives (EAD) €m**	**Total (EAD) €m**
Institutions	-	-	-	-
Corporates	28	8,288	-	8,316
Total	**28**	**8,288**	**-**	**8,316**

Table 4.16 - Credit risk mitigation

IRB approach - exposure class 31 December 2014	Covered by eligible financial collateral (EAD) €m	Covered by other eligible collateral (EAD) €m	Covered by guarantees / credit derivatives (EAD) €m	Total (EAD) €m
Institutions	-	6	690	696
Corporates	63	8,775	-	8,838
Total	63	8,781	690	9,534

Other eligible collateral against the Corporates exposure class relates predominantly to real estate collateral held. In 2014 amounts covered by guarantees / credit derivatives primarily related to the Group's investment in the senior bank bonds of certain Irish banks which were guaranteed by the Irish government under the Eligible Liabilities Guarantee (ELG) Scheme, which were nil at 31 December 2015.

Credit risk mitigation realised through the netting of on-balance sheet assets and liabilities is not reflected in the above table. Certain customer loans and overdrafts are netted against deposits as permitted by the CRR in the presence of certain criteria including a legal right of offset.

Table 4.17 - Credit risk mitigation

Standardised approach - exposure class	**31 December 2015** **Total exposure covered by guarantees (EAD) €m**	31 December 2014 Total exposure covered by guarantees (EAD) €m
Central governments	1,414	2,376
Retail	-	-
Exposures in default	-	-
Total	**1,414**	2,376

Central governments in Table 4.17 comprises NAMA senior bonds obtained by the Group in return for the transfer of assets to NAMA. NAMA senior bonds are guaranteed by the Irish Government.

Comparison of expected versus actual loss

Table 4.18 is based on a comparison of regulatory expected loss of the performing IRB loan portfolios as at 31 December 2014 with actual loss (specific provision charge incurred) on the IRB loan portfolios in the year ended 31 December 2015.

The parameters underlying the calculation of expected loss (PD, LGD and EAD) primarily represent through the cycle estimations, i.e. they reflect and estimate the average outcomes for an entire economic cycle. To meaningfully validate expected loss, these estimates would need to be compared to all realised losses which may have materialised after all the assets have gone through their life cycle. However, such information cannot be provided and disclosed since life cycles could last for a significant number of years. Using actual accounting loss information does not provide a suitable alternative, because - unlike expected loss estimates - accounting loss information is measured at point-in-time.

The following table should therefore be read bearing in mind these significant limitations.

Table 4.18 - Expected versus actual loss

IRB exposure class	**Expected loss calculated on 31 December 2014 €m**	**Specific provision charge for the year ended 31 December 2015 €m**	Expected loss calculated on 31 December 2013 €m	Specific provision charge for the year ended 31 December 2014 €m
Institutions	5	-	3	-
Corporates	242	268	252	401
Retail				
Secured by immovable property collateral	217	(26)	242	42
Qualifying revolving retail exposures	14	-	17	-
Other retail exposures	46	(6)	49	22
Total	**524**	**236**	**563**	**465**

Counterparty credit risk

Information on how counterparty credit risk is managed is provided on page 75 of the Group's Annual Report 31 December 2015.

Limits, policies and collateral

Counterparty credit limits are based primarily on the counterparty credit rating but also take into account historic limit usage and requirements from the business. The capital calculation uses PDs assigned to counterparties based on their ratings and the PDs are then used to calculate RWA and EL.

Policies are in place for securing collateral and establishing credit reserves. Legal agreements giving effect to collateral arrangements (ISDA, GMRA and CSA) are negotiated and put in place with interbank and other wholesale financial counterparties. Based on these agreements, collateral calls are agreed with the counterparty. In the vast majority of cases, collateral is cash and the agreed amount is either transferred by the counterparty to the Group or paid by the Group to the counterparty. At 31 December 2015, approximately 95% of the Group's derivative interbank counterparty credit risk was collateralised.

When CSAs are signed, a threshold amount is agreed, below which collateral will not be exchanged. This effectively limits the Group's counterparty exposure to the amount of the threshold (plus a buffer to allow for movements in market rates between collateral calls). Thresholds are generally quite low with virtually all being zero. There is scope in some agreements to reduce the threshold if a bank's rating falls, which has the impact of reducing exposure. In determining the EAD for derivative credit exposure, the Group recognises the credit risk mitigating impact of cash collateral received under CSAs. EAD for particular netting sets is reduced by the amount of cash collateral held in accordance with the relevant specific regulatory rules. Separately, where the Group posts collateral under a CSA, the net negative mark-to-market on the related netting set is used to reduce the EAD on the collateral exposure, once again in accordance with the relevant specific regulatory rules.

The Group recognises the potential for 'wrong-way' exposure in derivatives rewriting risk. This occurs where the potential market-driven exposure on the contract is likely to be positively correlated with the counterparty because both are linked to a common factor such as a commodity price or an exchange rate. The Group allows for the potential impact of wrong-way exposure qualitatively in assessing individual credits. In addition, a Credit Valuation Adjustment ('Incurred CVA') is applied to the Group's non-collateralised derivatives based primarily on the creditworthiness of the client and the fair value of the underlying transaction.

At 31 December 2015 Incurred CVA of €255 million reduces EAD on the relevant exposures consistent with the requirements of the CRR. As at 31 December 2015, the maximum impact of a two-notch downgrade of the Group by either S&P or Moody's on the Group's CSAs covering its interbank derivative positions, is that legally the Group could not be asked to post additional collateral in respect of its existing trades, as in virtually all relevant cases, the threshold is already zero (the situation is unchanged from 2014). However, it is possible that the Group could be asked to post additional amounts in order to obtain credit limits to enter into new trades should its credit profile deteriorate.

The Group determines exposure values for counterparty credit risk using the mark-to-market method. This primarily covers derivative exposures. The Group determines exposure values for repurchase transactions using the Financial Collateral Comprehensive Method (FCCM) and as such, no disclosures for repurchase agreements are made in this section.

Counterparty credit exposure

The tables below reflect the Group's counterparty credit exposures, including the impact of netting and collateral. Current credit exposures consist of the replacement cost of contracts together with potential future credit exposure.

Table 5.1 - Contract values

	Balance as at 31 December 2015 €m	Balance as at 31 December 2014 €m
Gross positive fair value of contracts	3,064	3,726
Potential future credit exposure	1,451	1,651
Total current credit exposure	**4,515**	5,377
Netting benefits	(2,764)	(3,387)
Netted current credit exposures	**1,751**	1,990
Collateral held	(363)	(349)
Net derivative credit exposure	**1,388**	1,641

Table 5.2 - Current credit exposure by product

	Balance as at 31 December 2015 €m	Balance as at 31 December 2014 €m
Interest rate	499	729
FX	51	57
Equity	4	16
Netted agreements credit exposure	816	830
Credit derivatives	11	4
Commodity contracts	7	5
Total	**1,388**	1,641

Capital requirements for counterparty credit risk reflect exposures to both Institutions and Corporates. The total capital requirement for counterparty credit risk based on 8% of total RWA at 31 December 2015 is €75 million (31 December 2014: €83 million).

CVA (regulatory)

Under CRD IV, a Credit Valuation Adjustment (CVA) risk weighted asset is also calculated for certain financial counterparties. CVA risk on Over-the-Counter (OTC) derivative exposures for 2015 is to RWA €0.3 billion, (2014 RWA €0.3 billion).

Securitisation

Securitisation roles and strategy

The Group has acted as originator under a number of securitisation structures. The purpose of these securitisations is to diversify the sources of funding for the Group and to increase the proportion of funding that is long-term, as well as to achieve capital efficiencies. Information on the exposures securitised under these transactions, and which qualify for Pillar 1 derecognition, are provided in the tables in this section.

The Group has also purchased positions in securitisation transactions. These positions have been purchased in transactions where the individual notes were originally highly rated and benefited from strong credit enhancement provided by lower ranking notes. The purchased positions cover a broad range of asset classes including Commercial Mortgage-Backed Securities (CMBS), Residential Mortgage-Backed Securities (RMBS), consumer loans and loans to Corporates / SMEs.

In addition, the Group has transacted a number of internal securitisations for funding purposes. These do not qualify for derecognition under Pillar 1 and the exposures securitised under them are included in the credit risk tables in this document. These securitisations are outside the scope of this section.

The Group has not acted as a sponsor in any securitisation transactions.

Calculation of risk weighted exposure amounts

Certain securitisations originated by the Group, where the bonds issued by the securitisation vehicle have been sold to third party investors, qualify for derecognition under Pillar 1. The Group has retained positions in these securitisations and the KIRB value of these 'first loss' positions is deducted from CET 1.

The risk weighted exposure amounts for the Group's purchased positions are calculated using the IRB approach. The Group's purchased positions are all held in the Banking Book.

A supervisory deduction is taken from CET 1 for purchased positions which otherwise would have attracted a 1250% risk weight under the approach.

Accounting policies for securitisation activities

Where the Group acts as originator in a securitisation, 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 have 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. 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 any of the above conditions apply to a fully proportionate share of all or specifically identified cashflows, the relevant accounting treatment is applied to that proportion of the asset.

While originated mortgage backed securitisations (where the bonds issued by the securitisation vehicles have been sold to third party investors) have been derecognised for Pillar 1 purposes, they have not been derecognised for accounting purposes. The exposures securitised under these securitisations are therefore treated as credit risk exposures under IFRS 7.

The Group's purchased positions are classified as either available for sale or loans and receivables from an accounting perspective.

Use of External Credit Assessment Institutions (ECAIs)

For the purpose of the RWA calculation, ECAIs are used for the Group's purchased securitisation positions. The following ECAIs are used: Fitch Ratings, Moody's Investors Service and Standard & Poor's. These are used for all exposure types, though the securitisations may not have been rated by all three agencies.

Total outstanding amount of exposures securitised

Table 6.1 below shows the total outstanding amount of exposures securitised by the Group in its role as originator and have qualified for Pillar 1 derecognition.

Table 6.1 - Outstanding amount of exposures securitised

Exposure type	31 December 2015 €m	31 December 2014 €m
Residential mortgages	1,704	1,870
Corporate loans	26	34
Total	**1,730**	1,904

Summary of securitisation activity

There have been no new securitisations originated by the Group which qualify for derecognition under Pillar 1 in the year ended 31 December 2015.

Specific provisions, past due and impaired securitised exposures

Table 6.2 - Specific provisions, past due and impaired securitisation exposures

Exposure type	Past due exposures 31 December 2015 €m	Impaired exposures 31 December 2015 €m	Specific provisions 31 December 2015 €m	Past due exposures 31 December 2014 €m	Impaired exposures 31 December 2014 €m	Specific provisions 31 December 2014 €m
Residential mortgages	83	20	2	95	15	2
Corporate loans	-	8	6	-	9	6
Total	**83**	**28**	**8**	95	24	8

Securitisation positions retained and purchased

Retained positions refer to positions retained by the Group with respect to the securitisations originated by the Group. Purchased positions are positions purchased by the Group in external securitisations. Repurchased tranches of own securitisations which are not subject to risk weights are excluded.

Securitisation positions retained and purchased by exposure type

Table 6.3 - Retained and purchased securitisation positions by exposure type

	31 December 2015			31 December 2014		
Exposure type	**Retained (EAD) €m**	**Purchased (EAD) €m**	**Total (EAD) €m**	Retained (EAD) €m	Purchased (EAD) €m	Total (EAD) €m
Residential mortgages	37	83	120	43	103	146
Commercial mortgages	-	52	52	-	93	93
Loans to corporates or SMEs	14	80	94	14	104	118
Consumer loans	-	35	35	-	42	42
Other assets	-	-	-	-	2	2
Total	**51**	**250**	**301**	57	344	401

Securitisation positions retained and purchased by risk weight

Table 6.4 - Retained and purchased securitisation positions by risk weight

	31 December 2015						31 December 2014					
	Retained		**Purchased**		**Total**		Retained		Purchased		Total	
Risk weight	**(EAD) €m**	**(RWA) €m**	**(EAD) €m**	**(RWA) €m**	**(EAD) €m**	**(RWA) €m**	(EAD) €m	(RWA) €m	(EAD) €m	(RWA) €m	(EAD) €m	(RWA) €m
10%	-	-	64	6	64	6	-	-	76	7	76	7
18%	-	-	2	-	2	-	-	-	64	8	64	8
35%	-	-	85	30	85	30	-	-	96	32	96	32
75%	-	-	46	26	46	26	-	-	45	21	45	21
100%	-	-	18	18	18	18	-	-	2	2	2	2
250%	-	-	5	13	5	13	-	-	21	55	21	55
425%	-	-	19	103	19	103	-	-	29	147	29	147
650%	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-
Total subject to risk weights	**-**	**-**	**239**	**196**	**239**	**196**	-	-	333	272	333	272
Deducted from capital	51	-	11	-	62	-	57	-	11	-	68	-
Total	**51**	**-**	**250**	**196**	**301**	**196**	57	-	344	272	401	272

Information on Liquidity risk inherent in securitised assets has not been provided on the basis of materiality. A table showing wholesale funding securitisations is included in the Liquidity risk table in the Annual Report page 108.

Market risk

Overview

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 Group's balance sheet, the Group's business mix and discretionary risk taking.

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. 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. The Group employs a Value at Risk (VaR) approach to measure, and set limits for, proprietary market risk-taking in Bank of Ireland Global Markets (BoIGM). This is supplemented by a range of other measures including stress tests.

Further detailed information in relation to market risk is available throughout the Annual Report.

The Group uses the Standardised approach for its assessment of Pillar 1 capital requirements for Trading Book market risk, using the prescribed regulatory calculation method. Risk weighted assets for market risk (predominantly interest rate risk on the Trading Book and foreign exchange risk) at 31 December 2015 are €425 million (31 December 2014: €511 million).

7.1 - Market risk under Standardised approach **Outright products**	**31 December 2015 RWA €m**	31 December 2014 RWA €m
Interest rate risk	281	227
- Interest rate risk general	*234*	*209*
- Interest rate risk specific	*47*	*18*
Foreign exchange risk	144	284
Total	**425**	511

The year on year decrease of €86 million is primarily attributable to reduced open fx positions in sterling and U.S. dollar slightly offset by increased Credit Default Swaps positions attracting a specific interest rate risk charge.

Discretionary risk

Bank of Ireland Global Markets (BoIGM) is the sole Group business permitted to take discretionary market risk on behalf of the Group. The major part of BoIGM's discretionary risk is interest rate risk in euro, sterling and US dollar markets.

Discretionary risk includes risk that is proactively assumed in the Trading Book and discretionary Interest Rate Risk in the Banking Book (IRRBB). As a consequence of the Bank's hedging strategies, discretionary IRRBB (which incorporates the major part of mismatch and yeild curve risk as defined for regulatory purposes) is immaterial and therefore no further information is disclosed.

The Group employs a VaR approach to measure, and set limits on, discretionary market risk in BoIGM. This applies to both the Trading Book and discretionary IRRBB. The Group measures VaR for a one-day horizon at the 99% level of statistical confidence. VaR reporting is conducted daily.

For the nature of the risks assumed by the Group, VaR remains a reliable basis of risk measurement. Nonetheless, VaR limits are supplemented by a range of controls that include position limits and loss tolerances. In addition, scenario based stress tests and long-run historic simulations, taking in past periods of market stress, are used to assess and manage discretionary market risk.

Customer risk

Interest rate risk arising on customer lending and term deposit-taking is centralised by way of internal hedging transactions with BoIGM. This exposure is, in turn, substantially eliminated by BoIGM through external hedges. In the case of business lines that are subject to prepayment - which is largely confined to UK mortgage lending - these books are hedged net of expected prepayment and assumptions with respect to prepayment are reviewed regularly.

Structural risks

Notwithstanding the overriding objective of running low levels of market risk, certain structural elements of IRRBB remain, notably structural basis risk and the earnings risk that arises from the presence of non-interest bearing liabilities on the balance sheet.

Structural basis risk arises where variable rate assets and liabilities re-price at different frequencies (monthly, quarterly, semi-annually) and where lending re-prices with changes in central bank rates but is funded at other market rates. In addition, certain economic risks are inherent in the Group's balance sheet and the requirement to fund a material part of the Group's sterling balance sheet from euro creates a structural exposure. These risks are managed centrally as a structural treasury risk.

The presence of non-interest bearing liabilities on the balance sheet - principally equity and non-interest bearing non-maturity customer deposits - exposes Group earnings to changes in interest rates. This structural interest rate risk is mitigated over the cycle by investing these liabilities in a portfolio of fixed rate assets only a proportion of which are re-invested in any given year. The Group applies the same investment convention to all non-interest bearing liabilities.

Structural risk is measured in terms of basis point sensitivities and scenario analysis and the frequency of reporting is monthly.

Operational risk

Overview

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes and systems, or from external events.

The Group is exposed to operational risks in the normal pursuit of its business objectives and encompasses a very broad range of sources of potential financial loss which the Group actively seeks to manage, mitigate and transfer. Such sources include inadequate or failed internal processes such as payments processing and financial reporting, information technology or equipment failures, the malfunction of external systems and controls, including those of the Group's suppliers or counterparties, or from people-related or external events, such as cybercrime and fraud, or from natural disasters and social or political events. In the case of legal and contractually related operational risks, the Group is exposed to the risk of loss due to litigation arising from errors, omissions and acts by the Group and its officers in the conduct of its business.

Operational risk management objective

The primary objectives of operational risk management within Bank of Ireland Group is to ensure the sustainability of the Group's operations and the protection of its reputation by preventing, controlling, mitigating or transferring the actual or potential consequences of operational risk events, including financial losses, business disruption and reputational damage.

Operational risk management framework

To achieve its operational risk management objectives, 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 the identification of material operational risks, the formal assessment of exposures to those risks, on-going monitoring of material risks and associated controls, and the implementation of a wide range of measures to avoid, mitigate or transfer material financial or other negative impacts were these risks to materialise, including:

- setting aside capital and maintaining a suite of insurance policies;
- setting out the boundary conditions in which operational risks are to be managed, by way of the Court-approved Risk Appetite Statement;
- formulating and disseminating a Group Operational Risk policy specifying the risk management obligations of management within the Group;
- maintaining 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
- developing the competencies of relevant staff in the operational risk management process and awareness of potential exposures.

In what follows, some of the key elements of the Group's operational risk framework are briefly described.

Operational risk appetite
The Court has set out its appetite for operational risk in terms of both qualitative factors and quantitative measures reflecting the nature of non-financial risks. As such, the monitoring of operational risk indicators is supplemented with qualitative review and discussion at senior management executive committees to ensure appropriate actions are taken to enhance controls and thereby maintain exposures within an acceptable level.

Operational risk policy and governance
In 2015, in accordance with its risk appetite, the Group continued to maintain its on-going oversight and control of its exposures to operational risk. A critical component of the operational risk management framework is a Court Risk Committee-approved Operational Risk Policy which sets out the Group's objectives and the obligations of management in respect of operational risk. Governance and oversight of operational risk matters forms part of the Group's Risk Framework which aims to ensure that risk management activities are adequate and commensurate with the Court approved risk appetite. The Group Regulatory Compliance and Operational Risk Committee (GRCORC) is appointed by the Group Risk Policy Committee (GRPC) and is responsible for the oversight and monitoring of operational risk within the Group and its material subsidiaries.

Operational risk management framework (continued)

Business units hold primary responsibility for the management of operational risk and compliance with internal control requirements. A dedicated operational risk unit is responsible for developing and setting a comprehensive vision and approach for operational risk management within the Group. As part of the Group Regulatory Compliance and Operational Risk (GRCOR) function, the Operational Risk unit is accountable for the development and maintenance of an Operational Risk Management Framework to ensure a robust, consistent and systematic approach is applied to managing operational risk exposures across the Group.

Following changes to the GRCOR function's operating model in 2013, a multi-year programme of enhancement to operational risk management processes and procedures was initiated in 2014. This improvement initiative includes the implementation of a new enterprise risk management system supporting more effective risk reporting, appetite monitoring and review of compliance with internal policy standards.

Operational risk capital

The Group holds operational risk capital to cover the potential financial impact of operational risk events, and uses the Standardised Approach (TSA) to determine its Pillar 1 capital requirement. The Pillar 2 capital assessment process incorporates a scenario analysis programme through which the Group assesses the potential impacts of a broad range of extreme, yet plausible operational risk events.

Scenario analysis

Scenario analysis assists the Group in determining the possible frequency and severity of operational risk losses for events associated with each risk type. The process also takes into account the potential for correlations between scenarios. The outputs of the scenario analysis programme forms part of the operational risk element of the Group's ICAAP.

Insurance

The Group mitigates the risk of potential financial losses from selected operational risk events through the Group insurance programme, which is reviewed annually to ensure that the risk coverage remains appropriate to the Group's risk management objectives.

Operational risk events and operational risk expected loss

The Group tracks internal and external operational risk events as part of its on-going assessment of the effectiveness of its operational risk control environment. An operational risk event is any circumstance where, as a result of an operational risk materialising, the Group has, or could have incurred a financial loss. This information is used to identify where improvements may be required to processes or controls, to reduce the recurrence and / or magnitude of risk events. The Group also benchmarks its losses by reference to a database of external risk events provided by the Operational Risk Data eXchange (ORX), a not-for-profit association of international banks formed to anonymously share loss data.

An operational risk expected loss level is set at Group level by the Court Risk Committee. Where operational risks materialise as loss events, these are reported by all business units. The GRCOR function collates this information and provides summary reports on overall events and details on significant risk events to the GRCOR Committee. The collated loss data is closely tracked relative to the approved expected loss level to determine whether loss trends are indicative of any systemic weaknesses in the Group's control environment.

Operational risk reporting

Regular and comprehensive reporting of operational risk is a key component of the Group's Operational Risk Framework. Operational risk-related information is reported from a variety of sources including business units, material projects and licensed entities. Reports are collated, assessed and used by the Operational Risk unit and by business management to understand, monitor, manage and control operational risks and losses.

In addition, specified operational risk information is collated for the purposes of reporting to regulatory supervisors in the jurisdictions in which the Group operates. The Court receives quarterly operational risk updates via the Court Risk Report. There is also an annual review and challenge process in place to enable the Court to consider the adequacy of Group-wide operational risk management processes and the extent to which these are in accordance with the Group's Risk Appetite. The Head of the GRCOR function reports to the GRCOR Committee on the status of operational risk in the Group, including the status of the top operational risks across the Group and the progress of associated risk mitigation initiatives, significant loss events and the nature, scale and frequency of overall losses.

Liquidity risk

Overview

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.

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.

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 2 liquidity requirements may also apply.

The Group will continue to target a buffer above minimum applicable regulatory liquidity requirements.

Further information is available in the Annual Report, Section 3.2 - Liquidity Risk, pages 103 to 109.

Table 8.1 - Liquidity ratios

	31 December 2015	31 December 2014
Liquidity coverage ratio	108%	108%[1]
Net stable funding ratio	120%	114%

[1] *The liquidity ratio reflects the Delegated Act.*

Encumbered and unencumbered assets held by the Group

Tables 8.2, 8.3 and 8.4 are designed to show the amounts of encumbered and unencumbered assets held by the Group. Assets are differentiated between those that are available for potential funding needs. All tables below are based on the official EBA reporting templates pertaining to Asset Encumbrance under CRD IV. Please note that all figures are median values based on quarter end point-in-time (PiT) figures covering the year ended 31 December 2015.

Table 8.2 - Encumbered and unencumbered assets held by the Group

As at 31 December 2015	**Carrying amount of encumbered assets €m**	**Fair value of encumbered assets €m**	**Carrying amount of unencumbered assets €m**	**Fair value of unencumbered assets €m**
Assets	**24,126**	**-**	**93,810**	**-**
- Loans on demand	*257*	*-*	*5,097*	*-*
- Equity instruments	*-*	*-*	*46*	*46*
- Debt securities	*943*	*943*	*13,511*	*13,462*
- Loans and advances other than loans on demand	*22,920*	*-*	*67,729*	*-*
- Other assets	*6*	*-*	*7,427*	*-*

Table 8.3 - Collateral received

As at 31 December 2015	Fair value of encumbered collateral received or own debt securities issued €m	Fair value of collateral received or own debt securities issued available for encumbrance €m
Collateral received	**663**	**205**
- Equity instruments	*-*	*-*
- Debt securities	*78*	*205*
- Other collateral received	*585*	*-*
- Own debt securities issued other than own covered bonds or ABSs	*-*	*-*

Table 8.4 - Encumbered assets / collateral received and associated liabilities

As at 31 December 2015	Matching liabilities, contingent liabilities or securities lent €m	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered €m
Carrying amount of selected financial liabilities	12,754	21,832
Other sources of encumbrance	2,173	3,223
Total sources of encumbrance	**14,927**	**25,055**

As part of managing its funding requirements, the Group from time to time encumbers assets as collateral to support wholesale funding initiatives. This would include covered bonds, asset backed securities, securities repurchase agreements and other structures that are secured over customer loans. In 2015, €24.8 billion of the Group's assets and collateral received were encumbered, primarily through these structures.

Covered bonds, a key element of the Group's long term funding strategy are issued through its subsidiary Bank of Ireland Mortgage Bank (BoIMB). BoIMB is registered as a designated mortgage credit institution to issue Irish Asset Covered Securities in accordance with relevant legislative requirements. BoIMB is required to maintain minimum contractual overcollateralisation of 5% and minimum legislative overcollateralisation of 3% (both on a prudent market value basis). This is monitored by the Covered Asset Monitor on behalf of the Central Bank of Ireland.

The Group recognises the restrictions on the transfer of liquidity between jurisdictions and separately monitors asset encumbrance by jurisdiction.

The Group has €7.4 billion of unencumbered 'Other assets'. These are primarily made up of assets which would not be deemed available for encumbrance in the normal course of business and include intangible assets, tax assets, fixed assets and derivative assets.

Leverage ratio

CRD IV requires the disclosure of the Group's leverage ratio, which measures the level of Tier 1 capital against both on and off balance sheet exposures. As at 31 December 2015, the leverage ratio was 6.6% on a transitional basis and 5.7% on a fully loaded basis.

The purpose of monitoring and managing this metric is to enable Regulators to constrain the build-up of excessive leverage, which was considered to be one of the drivers of the banking crisis.

The Basel Committee has implemented a monitoring period which runs to January 2017, during which time a proposed minimum leverage ratio of 3% should apply. This limit will be reassessed in 2017 before becoming mandatory in 2018.

On 10 October 2014, the European Commission adopted Delegated Regulation (EU) 2015/62 amending regulation (EU) No.575/2013. The table figures are produced applying this delegated act.

The table below illustrates leverage ratio calculated in accordance with Articles 429 (as amended by the Delegated Regulation (EU) 2015/62), 499(2) and (3) of the CRR and a breakdown of the Group's leverage ratio exposure as at 31 December 2015 on both a transitional and fully loaded basis.

Leverage ratio - disclosure template

Table 9.1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		31 December 2015	
		CRD IV Transitional €m	**CRD IV Fully loaded €m**
1	**Total assets as per published financial statements**	**130,960**	130,960
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(15,598)	(15,598)
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No.575/2013 'CRR')	-	-
4	Adjustments for derivative financial instruments	(3,036)	(3,036)
5	Adjustments for securities financing transactions 'SFTs'	176	176
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	3,891	3,891
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No.575/2013)	-	-
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article of Regulation (EU) No.575/2013)	-	-
7	Other adjustments	2,454	1,180
8	**Total leverage ratio exposure**	**118,847**	**117,573**

Table 9.2 - LRCom: Leverage ratio common disclosure		31 December 2015 CRD IV Transitional €m	 CRD IV Fully loaded €m
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	115,491	115,491
2	(Asset amounts deducted in determining Tier 1 capital)	(739)	(2,013)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**114,752**	**113,478**
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	709	709
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	679	679
EU-5a	Exposure determined under Original Exposure Method -		
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(1,360)	(1,360)
8	(Exempted CCP leg of client-cleared trade exposures)	-	-
9	Adjusted effective notional amount of written credit derivatives	-	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
11	**Total derivative exposures (sum of lines 4 to 10)**	**28**	**28**
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14	Counterparty credit risk exposure for SFT assets	176	176
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No.575/2013	-	-
15	Agent transaction exposures	-	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**176**	**176**
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	16,049	16,049
18	(Adjustments for conversion to credit equivalent amounts)	(12,158)	(12,158)
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**3,891**	**3,891**
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)			
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No.575/2013 (on and off balance sheet))	-	-
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No.575/2013 (on and off balance sheet))	-	-
Capital and total exposures			
20	**Tier 1 capital**	**7,897**	**6,751**
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**118,847**	**117,573**
Leverage ratio			
22	**Leverage ratio**	**6.6%**	**5.7%**

Table 9.3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		31 December 2015 CRD IV Transitional €m	31 December 2015 CRD IV Fully loaded €m
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**114,752**	**113,478**
EU-2	Trading Book exposures	3	3
EU-3	Banking Book exposures, of which:	114,749	113,475
- EU-4	Covered bonds	2,328	2,328
- EU-5	Exposures treated as sovereigns	17,136	17,136
- EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	1,271	1,271
- EU-7	Institutions	1,231	1,231
- EU-8	Secured by mortgages of immovable properties	46,255	46,255
- EU-9	Retail exposures	5,026	5,026
- EU-10	Corporate	26,996	26,996
- EU-11	Exposures in default	8,548	8,548
- EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	5,958	4,684

LRQua: Disclosure on qualitative items

The leverage ratio is designed to serve as an important backstop to the risk-based capital measures by constraining the build-up of leverage in the banking system and providing an extra layer of protection against model risk and measurement error.

Leverage is the extent to which a firm funds its assets with borrowings rather than equity. More debt relative to each Euro of equity results in a higher level of leverage. The leverage ratio measures the extent to which a firm has financed its assets with equity. It does not take into account what those assets are, or what their risk characteristics are. Leverage ratios effectively place a cap on borrowings as a multiple of a bank's equity.

The definition of the leverage ratio is Tier 1 capital divided by total assets (which include derivatives, SFT's, undrawn balances).

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

The Group's capital and exposures are monitored on a monthly basis which covers both a historical and a forward looking viewpoint. When proposed transactions or movements in capital or assets are being considered the impact on the leverage ratio is taken into account. The leverage ratio on a transitional basis, as at 31 December 2015 was 6.6% as compared to 5.3% at 31 December 2014.

The increase of 1.3% in the transitional leverage ratio was primarily driven by an increase in Tier 1 capital on a transitional basis to €7.9 billion at 31 December 2015 (€6.4 billion at 31 December 2014). The increase of €1.5 billion is primarily attributable to an increase in transitional CET 1 capital of €0.7 billion (largely driven by attirbutable profit although partially offset by CRD IV transitional deductions) and an the issuance of €750 million of Additional tier 1 in June 2015.

The leverage ratio on a fully loaded basis, as at 31 December 2015 was 5.7% as compared to 4.0% at 31 December 2014.

The increase of 1.7% in the fully loaded leverage ratio was primarily driven by an increase in Tier 1 capital on a fully loaded basis to €6.7 billion at 31 December 2015 (€4.8 billion at 31 December 2014). The increase of €1.9 billion is primarily attributable to an increase in fully loaded CET 1 capital of €1.2 billion (largely driven by attributable profit, a reduction in the pension deficit and a decrease in the DTA reduction capital) and the issuance of €750 million of Additional tier 1 in June 2015.

Appendix I: CRD IV capital resources

Appendix I provides qualitative information on, and a brief explanation of, the principle components of the Group's CRD IV capital resources as outlined in Table 2.4.

Total equity

Total equity represents accounting equity and comprises capital stock (including related share premium), retained earnings, foreign exchange reserve, available for sale reserve, cash flow hedging reserve, capital contribution reserve and other reserves. A consolidated statement of changes in these reserves is outlined on pages 171 and 172 of the Group's Annual Report 31 December 2015. Total equity at 31 December 2014 included the balance on the 2009 Preference Stock of which there was €1.3 billion outstanding. The 2009 Preference Stock were derecognised from regulatory capital in November 2015 and following the issuance of a redemption notice on 23 November 2015, were recognised as a financial liability at 31 December 2015.

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.

Deferred tax assets

Key provisions under CRD IV include the introduction of new deductions from CET 1 capital relating to deferred tax assets (DTA) that rely on future profitability according to Article 36 of the CRR, are being introduced on a phased basis in line with CRD IV transitional rules.

Grandfathering of capital instruments

CRD IV provides for a grandfathering regime which allows member states to recognise, on a transitional basis, certain capital instruments which do not qualify for inclusion in Additional tier 1 or Tier 2 capital under CRD IV, on a reducing basis until 31 December 2021. Additional tier 1 capital which does not qualify as Tier 1 capital under CRD IV but does qualify as Tier 2 capital will be phased into Tier 2 from Additional tier 1 on a gradual basis.

Retirement benefit obligations

A prudential filter was previously applied in relation to the Group's defined benefit pension schemes resulting in a reversal of the IAS 19 accounting deficit and an add-back to total equity. The prudential filter required that any surpluses arising under IFRS in a defined benefit pension scheme was reversed for capital adequacy purposes. Similarly any deficits, reflecting actuarial losses were reversed from accounting equity. This is no longer the case under CRD IV and is to be phased out in line with CRD IV transitional rules.

Pension supplementary contributions

Under a prudential filter previously applied, credit institutions were required to deduct from capital certain pension supplementary contributions. As a result, the accounting deficit, which is reversed from capital as outlined above, is replaced with a deduction reflecting the amount required over a specified period (three years for Irish schemes, five years for UK schemes) towards the elimination of a pension deficit under CRD IV funding standard rules. This prudential filter is being phased out under CRD IV transitional rules.

Cashflow hedge reserve

The cashflow hedge reserve is included in accounting equity and is removed from regulatory capital through the application of a prudential filter. The cash flow reserve was positive at 31 December 2015, hence the application of the filter results in a deduction from total equity.

Available for sale reserve

The available for sale reserve was removed from regulatory capital under Basel II / CRD. CRD IV transitional rules in 2015 require phasing in 40% of unrealised losses and 40% of unrealised gains. Between 2016-2018, unrealised losses and gains will be phased in at the following rates 60%, 80%, 100%. Under national discretion, the AFS filters remain for sovereign exposures on a transitional basis only. The available for sale reserve is recognisable in capital under fully loaded CRD IV rules.

Capital contribution on Contingent Capital

A capital contribution reserve was created in July 2011 following the issuance of the €1 billion Contingent Capital Note to the State. A national prudential filter is applied by the Central Bank to remove this reserve from regulatory capital. The impact of this regulatory filter unwinds over the remaining life of the instrument.

Expected loss deduction / Expected loss excess

Expected loss is the difference between accounting provisions recognised on the Group's IRB portfolios under IFRS on an incurred loss basis and the regulatory expected loss (EAD x PD x LGD) calculated for these portfolios. If regulatory expected loss exceeds accounting provisions the resulting shortfall is deducted from CET 1, this deduction is phased into CET 1 on a transitional basis. If accounting provisions exceed regulatory expected loss the excess can be included in Tier 2 capital subject to a maximum threshold (0.6% of IRB Credit RWA). Default and non-default exposures are treated separately which can result in both an expected loss deduction from CET 1 and / or an addition to Tier 2 of excess provisions.

Standardised incurred but not reported (IBNR) provisions

Impairment provisions 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 assessement are described as incurred but not reported provisions. Under CRD IV this is to be phased out in line with CRD IV transitional rules.

Intangible assets and goodwill

Intangible assets and goodwill are deducted in accordance with CRD IV requirements. The deduction is made at the level of CET 1 capital. The deduction excludes intangible assets in the Group's Life and pension business.

Own credit spread adjustment (net of tax)

Under CRD IV rules, credit institutions shall not include in own funds, gains or losses recognised on their liabilities accounted for at fair value that are attributable to changes in the credit institutions' own credit standing. Cumulative post tax gains and losses recognised in revenue reserves are reversed for regulatory capital purposes.

Securitisation deduction

The Group has retained tranches in certain originated securitisation transactions. The KIRB value of these portfolios is taken as a supervisory deduction. Separately, a deduction is taken for purchased securitisation positions which otherwise would have attracted a 1250% risk weight under the Ratings Based approach.

Holdings in financial sector entities & 10% / 15% threshold deduction

Where the investments in financial sector entities exceed relevant thresholds, a deduction from CET 1 is required. The amount below the threshold is included in risk weighted assets at 250%.

Dividend / coupon expected on Preference Stock & other equity instruments

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.

Additional tier 1 capital

Additional tier 1 capital instruments are subordinated securities with some equity-like features but cannot be included as CET 1 capital, but can be included in AT1 capital provided they meet the criteria set out in Article 52 of the CRR. Such securities do not generally carry voting rights and rank higher than ordinary shares for coupon payments in the event of a winding-up. These include securities that may be called and redeemed by the issuer, subject to the prior approval of the SSM. Refer to Table 2.6 for further information.

Tier 2 capital

Tier 2 capital comprises certain qualifying subordinated liabilities, the criteria for which is set out in Article 62 of the CRR.

Tier 2 dated debt

Dated subordinated loan capital is repayable at par on maturity and has an original maturity of at least five years. Some subordinated loan capital may be called and redeemed by the issuer, subject to the prior approval of the SSM. For regulatory purposes, it is a requirement that Tier 2 dated loan capital be amortised on a straight-line basis in their final five years of maturity thus reducing the amount of capital that is recognised for regulatory purposes. Refer to Table 2.6 for further information.

Tier 2 undated debt

Undated subordinated loan capital does not have a stated maturity date but where appropriate may be called and redeemed by the issuer, subject to the prior approval of the SSM. Refer to Table 2.6 for further information.

Appendix II: Equity holdings not in the Trading Book

The CRD IV permits non-disclosure where the information to be provided is not regarded as material. Information is deemed to be material under the CRD IV if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purposes of making an economic decision.

The Group's total exposure to non-Trading Book available for sale (AFS) equities had a balance sheet value at 31 December 2015 of €127 million (31 December 2014: €47 million). The Group considers its exposure to non-Trading Book AFS equities not to be material within the context of the CRD IV's definition of materiality and the Group will not be disclosing further quantitative information required to be disclosed with respect to non-Trading Book equity holdings.

As Bank of Ireland Life is not a credit institution for the purposes of CRD IV, its equity holdings (which are held on behalf of policy holders) fall outside the scope of the Group's Pillar 3 disclosures.

Nature and objectives of the Group's Non-Trading Book equity holdings

The Group's non-Trading Book equity holdings primarily constitute direct equity fund investments and equity co-investments, and investments in venture capital funds. The investments are undertaken to achieve strategic objectives and support venture capital transactions.

Investment in new funds or increases in commitments to existing funds are subject to the approval of the Private Equity Governance Committee (which is a Group Risk Policy Committee (GRPC) appointed committee).

Accounting treatment and valuation

Direct private equity fund investments and equity co-investments are accounted for in the same manner - i.e. both are treated as AFS assets on the Group's balance sheet. Given the absence of an active market or a reliable measure of fair value, they are held at cost.

An impairment charge is recognised when the Group believes the expected future cashflows from the asset will no longer support the carrying amount on the balance sheet. Impairment on equity instruments cannot be reversed and as such, this permanent diminution in value cannot be reversed in the income statement unless an actual recovery has occurred.

The Group's venture capital investments are accounted for as Investments in Associates and are measured at fair value in accordance with IAS 39, with changes in fair value recognised in profit or loss in the period of the change.

CRD IV treatment

The Group's non-Trading Book equities are treated under the Standardised approach for credit risk exposures.

Appendix III: Remuneration

Remuneration at Bank of Ireland

This section of the Group's Pillar 3 document should be read in conjunction with the Group's Annual Report 31 December 2015, and in particular the Remuneration Report pages 148 to 156, which provides information on directorships held by members of management body. Copies of the Group's Annual Report 31 December 2015 can be obtained from our website www.bankofireland.com.

This section summarises remuneration for Code Role Holders in respect of 2015 and provides brief information on the decision-making policies for remuneration and the links between pay and performance. These disclosures reflect the requirements set out in the European Banking Authority Remuneration Guidelines which came into effect from 1 January 2011.

Decision-making process for remuneration policy

The Group Remuneration Committee (GRC) holds delegated responsibility from the Court of Directors 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. During 2015, the Group Remuneration Committee met four times.

Terms of reference for the GRC, and details on its composition are available at:
www.bankofireland.com/about-bank-of-ireland/corporate-governance/court-committees.

Code Role Holders

Under EBA Remuneration Guidelines, the Group is required to maintain a list of individuals identified as material risk takers, 'Code Role Holders'. This listing is maintained using the Code Role Holder identification process, in line with the January 2014 EBA Guidelines and criteria. As per our internal Code Role Holder list process, this listing is reviewed on a regular basis, at a minimum bi-annually. These criteria were tested against all Bank of Ireland employees to determine who was holding a Code Role. As at 31 December 2015 there were 166 Code Role Holders (December 2014: 156).

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.

Link between pay and performance

Individual performance measures and targets are agreed for each employee using a Balanced Scorecard approach through the Group performance management process. The four Key Result Areas, each with a minimum weighting of 10%, are as follows:

- Customer.
- Leadership and People Development.
- Financial / Revenue / Cost / Efficiency.
- Risk (covers all areas of Risk including Credit, Regulatory, Operational and Conduct Risk).

Further information on Performance Management in the Group (including our Balanced Scorecard) is available in the Group Remuneration Report.

Group Remuneration Strategy

The Group's Remuneration Strategy aims to support the Group's objectives of long term sustainability and success, sound and responsible risk management and good corporate governance.

In addition the 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.

Remuneration expenditure

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

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

Table 1a - Aggregate 2015 remuneration expenditure by business area*

Business area	No. of code role holders as at 31 December 2015	No. of employees who held a code role in 2015[1,2]	2015 Remuneration expenditure €m
Corporate and Treasury**	40	41	17.30
Group credit & market risk	17	19	4.47
Group governance risk	19	22	4.27
Group manufacturing	4	5	1.60
Group support functions (CEO, Group Finance, Group HR)	20	21	6.17
Retail Ireland	25	28	7.62
Retail UK**	18	18	6.79
Governor and NEDs	23[3]	26[3]	2.29
Total	**166**	**180**	**50.51**

* *Includes Fees, Salaries, Employer Pension Contributions (as specified in the 2014 EBA benchmarking exercise guidelines) and variable payments (no variable payments were made in 2015) made in 2015 and other cash benefits payable e.g. car allowance.*

** *The change in remuneration expenditure between 2014 and 2015 is predominantly due to a combination of foreign exchange movements between the two reporting periods and the implementation of revised EBA Guidelines for Code Role Holders which came into force halfway through 2014, as a result of which the 2014 table only includes remuneration for some Code Role Holders for 6 months of the year, as they were only deemed to be in a Code Role for that period, while the 2015 table includes their remuneration for the full period they were in a Code Role in 2015.*

No individual earned total remuneration of €1 million or more in 2015.

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

2 *Individuals, who are employed by an external company, are not classified as Code Role holders; however the individual responsible for their engagement to the Group, and therefore responsible for the risk they pose, has been identified as a Code Role holder.*

3 *The Governor and NEDs figures include NEDs from Bank of Ireland Group (BoIG), Bank of Ireland (UK) plc (BoIUK), New Ireland Assurance Company (NIAC) and Bank of Ireland Mortgage Bank.*

Table 1b - Aggregate 2014 remuneration expenditure by business area*

Business area	No. of coded roles as at 31 December 2014[1]	No. of employees who held a coded role in 2014	2014 Remuneration expenditure €m
Corporate and Treasury	40	41	11.99
Group credit & market risk	16	18	4.12
Group governance risk	19	21	3.67
Group manufacturing	5	7	1.59
Group support functions (CEO, Group Finance, Group HR, Non-Core)	19	26	5.79
Retail Ireland	22	34	7.06
Retail UK	14	18	4.33
Governor and NEDs	21[2]	24[2]	2.20
Total	156	189	40.75

* *Includes Fees, Salaries, Employer Pension Contributions (as specified in the 2014 EBA benchmarking exercise guidelines) and variable payments, made in 2014 and other cash benefits payable e.g. car allowance.*

No individual earned total remuneration of €1 million or more in 2014.

1 *Data shown for all employees who held a Code Role at any stage in 2014.*

2 *For 2014, the Governor and NEDs figures include NEDs from Bank of Ireland Group (BoIG), Bank of Ireland (UK) plc (BoIUK), New Ireland Assurance Company (NIAC) and Bank of Ireland Mortgage Bank.*

Table 2 - Analysis of 2015 Remuneration between fixed and variable amounts (actually paid in 2015)

Table 2a - Senior Managers remuneration table	31 December 2015	
(Group Executive Committee and Senior Management Teams for BoIUK & NIAC) (Note: There were 27 Senior Managers in Code Roles in 2015)	Non-deferred €m	Deferred €m
Total value of remuneration awarded in 2015		
Fixed remuneration[1]		
Cash based	10.88	-
Shares and share-linked instruments	-	-
Other[2]	0.67	-
Variable remuneration[3]		
Cash based	-	-
Shares and share-linked instruments	-	-
Other	-	-

Table 2b - All other risk roles remuneration table	31 December 2015	
(Governor, Non-executive Directors & All Other Code Staff) (Note: There were 153 Coded Roles (excluding Senior Managers) in 2015)	Non-deferred €m	Deferred €m
Total value of remuneration awarded in 2015		
Fixed remuneration[1]		
Cash based	38.79	-
Shares and share-linked instruments	-	-
Other[2]	0.13	-
Variable remuneration[3]		
Cash based	-	-
Shares and share-linked instruments	-	-
Other	0.04	-

[1] *Fixed remuneration 2015: fees, salaries, employer pension contribution amounts, car allowances and other payments.*
[2] *Fixed remuneration – Other 2015: Relates to BIK charged, health insurance, certain travel and accommodation costs and once-off Career & Reward Framework Transition payment.*
[3] *Variable remuneration 2015: Cash bonuses, guaranteed bonus/contractual guarantees, cash LTIPs/deferred bonuses, retention payments, commissions and discretionary pension credits.*

The fixed to variable remuneration ratio for 2015 was 1:0.

2015 New sign-on and severance payments

- No payments were made to any code role holders hired during 2015 relating to the commencement of their employment.
- During the course of the year, 1 individual designated as a code role holder received severance payments.
  - The total value of payments made to this population, and therefore the highest individual payment made to a departing employee, comprising Statutory Redundancy, Voluntary Parting Payments, pay in lieu of notice, and Annual Leave payment was €0.13 million.
- The above payments are not included in the previous tables.

Appendix IV: Mortgage Arrears Resolution Targets

The Central Bank of Ireland (CBI) Mortgage Arrears Resolution Targets (MART) framework, published on 13 March 2013, outlines public targets for resolution of mortgage cases in arrears greater than 90 days, against which Specified Credit Institutions (including the Bank of Ireland) must measure themselves.

Within this MART framework document, the CBI noted that in order for the Specified Credit Institutions to convey their risk profile comprehensively to market participants, Specified Credit Institutions shall publicly disclose the level of compliance with these targets. The mechanism for disclosure identified is the 2015 Pillar 3 disclosures.

The CBI describe the initiative, within the MART framework document[1], as ensuring Specified Credit Institutions offer and conclude sustainable solutions for their customers in arrears by setting specific performance targets.

The quarterly target for the number of Terms being met by customers in respect of forbearance, restructures and Personal Insolvency Arrangements (PIAs) as set by the CBI is 75% of the loans in forbearance / restructures and PIAs at previous quarter end.

In the context of the aforementioned public target, at 31 December 2015, complying with the calculations stipulated by the CBI, the Group has reported Terms being met of 96% of the loans in forbearance / restructures and PIAs.

[1] *As defined in the Central Bank of Ireland document 'Mortgage Arrears Resolution Targets' published on 13 March 2013.*

Appendix V: Significant subsidiaries

Bank of Ireland (UK) plc

Bank of Ireland (UK) plc, published a separate Pillar 3 document available at www.bankofirelanduk.com.

Table 1 shows the amount of capital Bank of Ireland (UK) plc is required to set aside to meet the minimum total capital ratio of 8% of RWA set by the CRR.

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

Bank of Ireland (UK) plc applies the Standardised approach for the calculation of its credit and counterparty risk and operational risk capital requirements.

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

Bank of Ireland (UK) plc (continued)

Table 2 sets out the Bank of Ireland (UK) plc's regulatory capital position and key capital and leverage ratios on a transitional and fully loaded basis.

Table 2 - Regulatory capital position and key capital and leverage ratios

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

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

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

Bank of Ireland Mortgage Bank

The principal activities of Bank of Ireland Mortgage Bank (BoIMB) are the provision of Irish residential mortgages and the issuance of securities in accordance with the Asset Covered Securities Acts, 2001 to 2007 (the 'ACS Acts').

BoIMB is a wholly owned subsidiary of the Governor & Company of the Bank of Ireland ('Bank of Ireland').

Risk management
The Board of Directors for BoIMB approves policies and limits with respect to credit risk, market risk, liquidity risk and operational risk, business / strategic risk, capital adequacey risk, pension risk, reputation risk and regulatory risk. BoIMB has entered into a range of service level agreements with Bank of Ireland to support its overall risk management and control processes.

The Head of Credit has responsibility for credit policy implementation and the Head of Finance has responsibility for financial risk policy implementation. Bank of Ireland Group Treasury has responsibility for day-to-day monitoring of market and liquidity risks. The Group Regulatory Compliance and Operational Risk Unit has responsibility for operational risk policy and controls.

BoIMB's risk management and control policies comply with Bank of Ireland Group risk management policies, which include reviews on a regular basis. In addition, Bank of Ireland control functions (e.g. Credit, Group Internal Audit) independently review compliance with Bank of Ireland policies as part of their on-going work in BoIMB.

BoIMB employs a range of policies and practices to mitigate credit risk. The most important of these is the initial assessment of the borrower's capacity to repay the facility over the agreed timescale and the taking of security for funds advanced. BoIMB implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. In relation to loans and advances to customers, the principal type of security taken is residential property.

BoIMB's 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. This index provides the relevant index to be applied to original market values in the period after January 2005. Equity / negative equity values are determined using the Residential property price index published by the CSO for the year ended 31 December 2015. The weighted average indexed LTV for the total loan book was 74% at 31 December 2015 (31 December 2014: 82%).

Security for each account in BoIMB's portfolio consists of a first legal charge over residential real estate with supporting life and fire cover as appropriate. A dedicated team is responsible for the receipt and maintenance of security.

BoIMB's requirements around completion, valuation and management requirements for collateral / security are set out in appropriate policies and procedures. BoIMB's credit risk processes are designed to ensure that mortgage charges are enforceable at the time the credit agreement is concluded and that mortgage charges are filed on a timely basis.

Capital
At the 31 December 2015, BoIMB's total capital ratio[1], including 2015 profits, was 21.6% on a transitional basis (31 December 2014: 16.9%[1]). There were no changes to share capital or subordinated loans during the year to 31 December 2015.

Remuneration
BoIMB is covered under the Group's Remuneration policy and associated governance. Please see pages 148 to 156 of the Group's Annual Report.

Remuneration disclosures relating to BoIMB's material risk takers (Code Role Holders) are incorporated within the Group's remuneration disclosures.

[1] *Following clarification issued by the EBA, the Basel 1 floor adjustment is no longer included in risk weighted assets (RWAs) which reduces the December 2014 RWAs by circa €1.44 billion. The December 2014 transitional total capital ratio was reported in the prior year financial statements as 13.5% and has been restated to 16.9% to reflect this change. The impact of the Basel 1 floor is now reflected in the minimum total capital requirement which has increased from 8% to 10.8% at December 2015 (8% to 10% in 2014).*

Capital requirements / RWA

Table 1 shows the amount of capital BoIMB is required to set aside to meet the minimum total capital ratio of 8% of RWA set by CRD IV.

Table 1 - Capital requirements / RWA

CRD IV transitional	**31 December 2015** Capital requirement €m	**31 December 2015** Risk weighted assets €m	31 December 2014 Capital requirement €m	31 December 2014 Risk weighted assets €m
Credit risk	**381**	**4,767**	426	5,331
IRB	**381**	**4,767**	426	5,331
Retail:				
- Secured by immovable property collateral	*381*	*4,767*	*426*	*5,331*
Standardised	**-**	**-**	-	-
Market risk	**-**	**-**	-	-
Operational risk	**23**	**292**	17	216
Other assets	**10**	**117**	9	108
Credit valuation adjustment	**-**	**-**	-	-
Total capital requirement (excluding Basel 1 floor)	**414**	**5,176**	452	5,655
Basel 1 floor requirement[1] (80%)	143	-	115	-
Total capital requirement (including Basel 1 floor)	**557**	**5,176**	567	5,655

Breakdown of BoIMB's regulatory capital requirement

Table 2 shows BoIMB's minimum capital requirements (based on 8% of RWA), RWA and EAD by risk type.

Table 2 - Breakdown of BoIMB's regulatory capital requirement

CRD IV transitional	**31 December 2015** Capital requirement €m	**31 December 2015** Risk weighted assets €m	**31 December 2015** Exposure at default €m	31 December 2014 Capital requirement €m	31 December 2014 Risk weighted assets €m	31 December 2014 Exposure at default €m
Retail & Foundation IRB Approach	381	4,767	19,823	426	5,331	20,260
Standardised approach	-	-	2,706	-	-	3,082
Settlement risk	-	-	-	-	-	-
Market risk	-	-	-	-	-	-
Operational risk	23	292	-	17	216	-
Other assets	10	117	171	9	108	108
Credit valuation adjustment	-	-	-	-	-	-
Total capital requirement (excluding Basel 1 floor)	**414**	**5,176**	**22,700**	452	5,655	23,450
Basel 1 floor requirement[1] (80%)	143	-	-	115	-	-
Total capital requirement (including Basel 1 floor)	**557**	**5,176**	**22,700**	567	5,655	23,450

[1] *Following clarification issued by the EBA, the Basel 1 floor adjustment is no longer included in risk weighted assets (RWAs) which reduces the December 2014 RWAs by circa €1.44 billion. The December 2014 transitional total capital ratio was reported in the prior year financial statements as 13.5% and has been restated to 16.9% to reflect this change. The impact of the Basel 1 floor is now reflected in the minimum total capital requirement which has increased from 8% to 10.8% at December 2015 (8% to 10% in 2014).*

Capital resources

Table 3 sets out BoIMB's capital position as at 31 December 2015, and a reconciliation of accounting with regulatory capital.

Table 3 - Reconciliation of accounting capital with regulatory capital

	31 December 2015		31 December 2014	
	CRD IV transitional €m	**CRD IV fully loaded €m**	CRD IV transitional €m	CRD IV fully loaded €m
Capital base				
Total equity	1,005	1,005	870	870
Regulatory adjustments being phased in / out under CRD IV	**(6)**	**(60)**	**-**	**(74)**
- Deferred tax assets[1]	*(6)*	*(60)*	-	*(74)*
Other regulatory adjustments	**(48)**	**(48)**	**(86)**	**(86)**
- Cash flow hedge reserve	*(48)*	*(48)*	*(86)*	*(86)*
Common equity tier 1	**951**	**897**	**784**	**710**
Additional tier 1	-	-	-	-
Total Tier 1 capital	**951**	**897**	**784**	**710**
Tier 2				
Tier 2 dated debt	140	140	140	140
Expected loss excess amounts[2]	29	29	32	32
Total Tier 2 capital	**169**	**169**	**172**	**172**
Total capital	**1,120**	**1,066**	**956**	**882**
Total risk weighted assets[3]	**5,176**	**5,176**	**5,655**	**5,655**
Capital ratios				
Total capital ratio	21.6%	20.6%	16.9%	15.6%

1 *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.*
2 *BoIMB has an excess of provisions over expected losses and these are included in Tier 2 capital subject to a limit of 0.6% of risk weighted assets calculated under the IRB approach.*
3 *Under CRD IV, BoIMB is required to maintain a transitional floor set at 80% of Basel I requirements. The transitional floor capital requirement was €143 million (RWA €1.8 billion) at 31 December 2015.*

Capital resources (continued)

Table 4 below outlines the component parts of regulatory capital with further details of capital instruments, adjustments, deductions and filters in line with the prescribed template provided in Article 5 of commission regulation (EU) No.1423/2013.

The table further details total risk weighted assets, capital ratios and buffers before listing applicable caps on the inclusion of provisions in Tier 2 and capital instruments subject to phase-out.

Line referencing for Annex VI of commission regulation (EU) No.1423/2013 is also provided. Rows that are not applicable to BoIMB have been omitted.

Table 4 - Transitional & fully loaded own funds disclosure
Disclosure according to Article 5 in commission implementing regulation (EU) No.1423/2013.

Annex IV Reference		Transitional CRD IV 31 December 2015 €m	Fully loaded CRD IV 31 December 2015 €m
Common equity tier 1 capital: Instruments and reserves			
1	Capital instruments and the related share premium accounts	1,399	1,399
	of which; ordinary stock	*738*	*738*
	deferred stock	-	-
	treasury stock	-	-
	share premium	*661*	*661*
2	Retained earnings	(442)	(442)
3	Accumulated other comprehensive income (and other reserves)	48	48
6	**Common equity tier 1 (CET 1) capital before regulatory adjustments**	**1,005**	1,005
Common equity tier 1 (CET 1) capital: regulatory adjustments			
7	Additional value adjustments / other	-	-
8	Intangible assets (net of related tax liability)	-	-
10	Deferred tax asset that rely on future profitability excluding those arisingfrom temporary differences (net of related tax liability)	(6)	(60)
11	Fair value reserves related to gains or losses on cash flow hedges	(48)	(48)
12	Negative amounts resulting from the calculation of expected loss amounts	-	-
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	-
15	Defined-benefit pension fund assets	-	-
16	Direct and indirect holdings by an institution of own CET 1 instruments	-	-
19	Direct and indirect and synthetic holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities	-	-
20a	Exposure amount of the following items which qualify for a RW of 1250%	-	-
20c	*of which; securitisation positions*	-	-
21	Deferred tax assets arising from temporary differences	-	-
22	Amount exceeding the 15% threshold	-	-
26a	Regulatory adjustments relating to unrealised gains and losses	-	-
	of which; unrealised gains on non-sovereign bonds	-	-
	unrealised losses on non-sovereign bonds	-	-
	unrealised gains on sovereign bonds	-	-
	unrealised losses on sovereign bonds	-	-
26b	Amount to be deducted from or added to Common equity tier 1 capital with regard to additional filters and deductions required pre CRR	-	-
	of which; defined benefit pension scheme	-	-
	value in force asset	-	-
	property revaluation reserve	-	-
	FV on Bristol and West Sub debt	-	-
	FV on CoCo bond	-	-
	minimum funding standard pension contributions	-	-
28	**Total regulatory adjustments to Common equity tier 1 (CET 1)**	**(54)**	**(108)**
29	**Common equity tier 1 (CET 1) capital**	**951**	**897**

Capital resources (continued)

Transitional & fully loaded own funds disclosure (continued)

Annex IV Reference		Transitional CRD IV 31 December 2015 €m	Fully loaded CRD IV 31 December 2015 €m
Additional tier 1 (AT1) capital: Instruments			
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	-	-
36	**Additional tier 1 (AT1) capital before regulatory adjustments**	**-**	**-**
Additional tier 1 (AT1) capital: regulatory adjustments			
41a	Residual amounts deducted from Additional tier 1 capital with regard to deduction from Common equity tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No.575/2013	-	-
	of which; shortfall of provisions to expected losses	-	-
43	**Total regulatory adjustments to Additional tier 1 (AT1) capital**	**-**	**-**
44	**Additional tier 1 (AT1) capital**	**-**	**-**
45	**Tier 1 capital (T1 = CET 1 + AT1)**	**951**	**897**
Tier 2 (T2) capital: Instruments and provisions			
46	Capital instruments and the related share premium accounts	140	140
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	-	-
50	Credit risk adjustments	29	29
51	**Tier 2 (T2) capital before regulatory adjustments**	**169**	**169**
Tier 2 (T2) capital: regulatory adjustments			
55	Direct and indirect holdings by the institution of the Tier 2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	-	-
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common equity tier 1 capital during the transitional period pursuant to Article 472 of regulation (EU) No.575/2013	-	-
	of which; shortfall of provisions to expected losses	-	-
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR	-	-
	of which; IBNR provisions	-	-
	value in force asset	-	-
	property revaluation reserve	-	-
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**	**-**
58	**Tier 2 (T2) capital**	**169**	**169**
59	**Total capital (TC = T1 + T2)**	**1,120**	**1,066**
Capital ratios and buffers			
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in regulation (EU) No.575 / 2013 (i.e. CRR residual amounts)	-	-
	of which; items not deducted from CET 1 (Regulation (EU) No.575/2013 residual amounts)		
	deferred tax assets that rely on future profitability net of related tax liability	-	-
60	**Total risk weighted assets**	**5,176**	**5,176**

Capital resources (continued)

Transitional and fully loaded own funds disclosure (continued)

Annex IV Reference		Transitional CRD IV 31 December 2015 €m	Fully loaded CRD IV 31 December 2015 €m
Capital ratios and buffers			
61	Common equity tier 1	18.4%	17.3%
62	Tier 1	18.4%	17.3%
63	Total capital	21.6%	20.6%
64	Institution specific buffer requirement	-	-
65	*of which; capital conservation buffer requirement*	-	-
66	*of which; countercyclical buffer requirement*	-	-
67	*of which; systemic risk buffer requirement*	-	-
67a	*of which; Global Systemically Important Institution (G-SII)*	-	-
	or Other Systemically Important Institution (0-SII) buffer	-	-
68	Common equity tier 1 available to meet buffers	-	-
Amounts below the threshold for deduction (before risk weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	-
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	-
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)	-	-
Applicable caps on the inclusion of provisions In Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to Standardised approach (prior to the application of the cap)	-	-
77	Cap on inclusion of credit risk adjustments in T2 under Standardised approach	1	1
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	111	111
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	29	29
Capital Instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)			
80	Current cap on CET 1 instruments subject to phase out arrangements	-	-
81	Amount excluded from CET 1 due to cap (excess over cap after redemptions and maturities)	-	-
82	Current cap on AT1 instruments subject to phase out arrangements	-	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-
84	Current cap on T2 instruments subject to phase out arrangements	-	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-

Amounts subject to pre-regulation (EU) No.575/2013 treatment or prescribed residual amount of regulation (EU) No.575/2013.

Common equity tier 1 (CET 1) capital regulatory adjustments		Amounts subject to pre-regulation (EU) No.575/2013 treatment or prescribed residual amount of regulation (EU) No.575/2013.
10	Deferred tax asset that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	54

Capital instruments

Table 5 provides information on the regulatory values of BoIMB's Tier 2 subordinated loans.

Table 5 - Capital instruments

	Nominal outstanding at 31 December 2015 €m	Accounting value 31 December 2015 €m	CRD IV regulatory value at fully loaded 31 December 2015 €m	CRD IV regulatory value at transitional 31 December 2015 €m
Subordinated loans from Parent	140	140	140	140
Tier 2 debt	**140**	**140**	**140**	**140**
Total capital instruments	**140**	**140**	**140**	**140**

Exposure to credit risk

Table 6 is based on EAD and shows BoIMB's point-in-time and average exposure to credit risk.

Table 6 - Exposure to credit risk

	31 December 2015		31 December 2014	
Exposure class	**Total exposure (EAD) €m**	**Average exposures over the year (EAD) €m**	Total exposure (EAD) €m	Average exposures over the year (EAD) €m
IRB approach				
Retail				
- Secured by immovable property collateral	19,823	19,965	20,260	20,279
Total IRB	**19,823**	**19,965**	20,260	20,279
Standardised approach				
Institutions	2,706	2,792	3,082	3,181
Total Standardised	**2,706**	**2,792**	3,082	3,181
Total	**22,529**	**22,757**	23,342	23,460

Geographic analysis of exposures

Under CRD IV, geographical analysis of credit exposures is required based on exposures in the member states in which the institution has been authorised and member states or third countries in which institutions carry out activities through a brand or subsidiary.

BoIMB's primary market is Ireland. The geographical locations shown in Tables 7a and 7b are based on the business unit where the exposure is booked, rather than where the borrower is located.

Table 7 Geographical analysis of exposures

Table 7a - Geographic analysis of exposures

	RoI			**Total**		
Exposure class 31 December 2015	**EAD €m**	**Exposure weighted PD %**	**Exposure weighted LGD %**	**EAD €m**	**Exposure weighted PD %**	**Exposure weighted LGD %**
IRB Approach						
- *Secured by immovable property collateral*	*19,823*	*10.3%*	*16.4%*	*19,823*	*10.3%*	*16.4%*
Total	**19,823**	**10.3%**	**16.4%**	**19,823**	**10.3%**	**16.4%**

	RoI			Total		
Exposure class 31 December 2014	EAD €m	Exposure weighted PD %	Exposure weighted LGD %	EAD €m	Exposure weighted PD %	Exposure weighted LGD %
IRB Approach						
- *Secured by immovable property collateral*	*20,260*	*13.3%*	*17.0%*	*20,260*	*13.3%*	*17.0%*
Total	20,260	13.3%	17.0%	20,260	13.3%	17.0%

Table 7b - Geographic analysis of exposures

	31 December 2015		31 December 2014	
Exposure class	**RoI (EAD) €m**	**Total (EAD) €m**	RoI (EAD) €m	Total (EAD) €m
Standardised approach				
Institutions	2,706	2,706	3,082	3,082
Total	**2,706**	**2,706**	3,082	3,082

Industry analysis of exposures

Table 8 is based on EAD. The industry classification below is based on the purpose of the loan. Similar industry headings to those in the industry analysis contained in BoIMB's Annual Report 31 December 2015 have been used, however, the values will differ as these tables are based on EAD.

Table 8 - Industry analysis of exposure

	31 December 2015			31 December 2014		
Exposure class	**Financial (EAD) €m**	**Personal residential mortgages (EAD) €m**	**Total (EAD) €m**	Financial (EAD) €m	Personal residential mortgages (EAD) €m	Total (EAD) €m
IRB approach						
Retail	-	19,823	19,823	-	20,260	20,260
Total IRB	**-**	**19,823**	**19,823**	-	20,260	20,260
Standardised approach						
Institutions	2,706	-	2,706	3,082	-	3,082
Total Standardised	**2,706**	**-**	**2,706**	3,082	-	3,082
Total	**2,706**	**19,823**	**22,529**	3,082	20,260	23,342

Maturity analysis of exposures

The maturity analysis below discloses BoIMB's credit exposure by residual contractual maturity date.
Table 9 is based on EAD.

Table 9 - Maturity analysis of exposure

	31 December 2015				31 December 2014			
Exposure class	**<1 year (EAD) €m**	**1-5 years (EAD) €m**	**>5 years (EAD) €m**	**Total (EAD) €m**	<1 year (EAD) €m	1-5 years (EAD) €m	>5 years (EAD) €m	Total (EAD) €m
IRB approach								
Retail	1,003	3,820	15,000	19,823	1,374	3,715	15,171	20,260
Total IRB	**1,003**	**3,820**	**15,000**	**19,823**	1,374	3,715	15,171	20,260
Standardised approach								
Institutions	1,650	222	834	2,706	2,124	227	731	3,082
Total Standardised	**1,650**	**222**	**834**	**2,706**	2,124	227	731	3,082
Total	**2,653**	**4,042**	**15,834**	**22,529**	3,498	3,942	15,902	23,342

Analysis of credit quality - Retail IRB

Table 10 is based on EAD and shows the breakdown of the Retail sub-exposure classes by PD grade.

Table 10 - Analysis of credit quality
Retail IRB - exposure class

PD grade 31 December 2015	CRD IV Total exposures (EAD) €m	Total risk weighted assets (RWA) €m	Exposure weighted average risk weight %	Exposure weighted average LGD %	Amount of undrawn commitments €m	Weighted average CCF %	Expected loss €m
RoI mortgages							
1 to 4	6,215	380	6%	15%	538	32%	2
5 to 7	9,249	1,386	15%	15%	654	33%	9
8 to 9	1,175	503	43%	17%	7	52%	5
10 to 11	1,503	1,512	101%	20%	1	61%	62
Default	1,681	986	59%	26%	-	0%	694
Total	**19,823**	**4,767**	**24%**	**16%**	**1,200**	**33%**	**772**
Total Retail	**19,823**	**4,767**	**24%**	**16%**	**1,200**	**33%**	**772**

The exposure weighted average risk weight percentage and expected loss for the performing grades (grades 1-11) and the defaulted expected loss across the Retail IRB exposure class includes the impact of the Group's application of certain Central Bank of Ireland required adjustments as part of the 2013 Balance Sheet Assessment adjustments to the outputs of the Group's risk weighted assets calculations.

Table 10 - Analysis of credit quality
Retail IRB - exposure class

PD grade 31 December 2014	CRD IV Total exposures (EAD) €m	Total risk weighted assets (RWA) €m	Exposure weighted average risk weight %	Exposure weighted average LGD %	Amount of undrawn commitments €m	Weighted average CCF %	Expected loss €m
RoI mortgages							
1 to 4	5,900	373	6%	15%	614	35%	2
5 to 7	9,366	1,474	16%	16%	676	36%	10
8 to 9	1,104	480	43%	18%	4	55%	5
1 to 11	1,604	1,613	101%	19%	1	85%	72
Default	2,286	1,391	61%	26%	-	0%	894
Total	20,260	5,331	26%	17%	1,295	36%	983
Total Retail	20,260	5,331	26%	17%	1,295	36%	983

Analysis of credit quality - Standardised approach

Table 11 - Analysis of credit quality
Standardised approach - exposure class

EAD €m	**Risk weight**									
31 December 2015	**0%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**250%**	**Total EAD**	**Total RWA**
Central governments and central banks	-	-	-	-	-	-	-	-	-	-
Institutions[1]	2,706	-	-	-	-	-	-	-	2,706	-
Total EAD	**2,706**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,706**	**-**

Analysis of credit quality
Standardised approach - exposure class

EAD €m	Risk Weight									
31 December 2014	0%	20%	35%	50%	75%	100%	150%	250%	Total EAD	Total RWA
Central governments and central banks	-	-	-	-	-	-	-	-	-	-
Institutions[1]	3,082	-	-	-	-	-	-	-	3,082	-
Total EAD	3,082	-	-	-	-	-	-	-	3,082	-

[1] *The BoIMB exposures within the institutions exposure class are intergroup positions and avail of 0% risk weighting under Article 113 (6).*

Loan loss experience in the year ended 31 December 2015

A discussion on the factors which impacted the loan loss experience in the year ended 31 December 2015 is included in the Risk Management Report of the Group’s Annual Report 31 December 2015 (under the Credit risk section from page 74).

Past due and impaired exposures

Past due exposures are loans where repayment of principal and / or interest are overdue by at least one day but which are not impaired. Impaired loans are loans with a specific impairment provision attaching to them.

For additional information on past due and impaired exposures please refer to pages 76 to 102 of the Group’s Annual Report, 31 December 2015.

Past due and impaired exposures by industry

Table 12 is based on financial statement information and discloses ‘past due but not impaired’ and ‘impaired’ balances by industry class.

Table 12 - Past due and impaired

	31 December 2015			31 December 2014		
Exposures by industry class	**Past due exposures €m**	**Impaired exposures €m**	**Total €m**	Past due exposures €m	Impaired exposures €m	Total €m
Personal						
- Residential mortgages	*636*	*1,426*	*2,062*	*935*	*1,825*	*2,760*
Total	**636**	**1,426**	**2,062**	935	1,825	2,760

Past due and impaired exposures by geography

Table 13 is based on financial statement information and discloses ‘past due but not impaired’ and ‘impaired’ balances by geographic location, which are based on the location of the business unit where the exposure is booked.

Table 13 - Past due and impaired

	31 December 2015			31 December 2014		
Exposures by geography	**Past due exposures €m**	**Impaired exposures €m**	**Total €m**	Past due exposures €m	Impaired exposures €m	Total €m
RoI	636	1,426	2,062	935	1,825	2,760
Total	**636**	**1,426**	**2,062**	935	1,825	2,760

Specific credit risk adjustments (provisions)

The loan loss provisioning methodology used by the Group is set out on pages 99 and 100 of the Group’s Annual Report 31 December 2015.

This includes:

- a description of the type of provisions; and
- a description of the approaches and methods adopted for determining provisions.

CRD IV introduced the definition of ‘specific’ and ‘general’ credit risk adjustments and, in line with the relevant technical standard, the Group has included ‘specific provisions’ and ‘IBNR’ as specific credit risk adjustments. The Group has no ‘general’ credit risk adjustments.

Specific credit risk adjustments (provisions) (continued)

Specific credit risk adjustments by industry and geography

Table 14 shows the specific credit risk adjustments and provision charge by industry classification. It is based on financial statement information.

Table 14 - Specific credit risk adjustments by industry

Industry class	**31 December 2015** Total specific credit risk adjustments €m	**31 December 2015** Charges for specific credit risk adjustments €m	31 December 2014 Total specific credit risk adjustments €m	31 December 2014 Charges for specific credit risk adjustments €m
Personal				
- Residential mortgages	*883*	*(35)*	*1,076*	*(101)*
Total	**883**	**(35)**	1,076	(101)

Table 15 shows BoIMB specific credit risk adjustments on loans and advances to customers split between specific provisions and IBNR provisions on a geographic basis. The geographic locations shown are based on the location of the business unit where the exposure is booked. It is based on financial statement information.

Table 15 - Specific credit risk adjustments by geography

Specific credit risk adjustments Geographic breakdown	**31 December 2015** Specific provisions €m	**31 December 2015** IBNR provisions €m	**31 December 2015** Total €m	31 December 2014 Specific provisions €m	31 December 2014 IBNR provisions €m	31 December 2014 Total €m
RoI	680	203	883	838	238	1,076
Total	**680**	**203**	**883**	838	238	1,076

Specific credit risk adjustments by provision type

Table 16 shows BoIMB's provisions against loans and advances to customers split by specific provisions and IBNR provisions.

Table 16 - Specific credit risk adjustments by provision type

Specific credit risk adjustments	**31 December 2015** Total specific credit risk adjustments €m	**31 December 2015** Specific credit risk adjustment charges €m	31 December 2014 Total specific credit risk adjustments €m	31 December 2014 Specific credit risk adjustment charges €m
Total specific provisions	680	0	838	31
Total IBNR provisions	203	(35)	238	(132)
Total specific credit risk adjustments	**883**	**(35)**	1,076	(101)

Specific credit risk adjustments by regulatory approach

Table 17 shows BoIMB's provisions against loans and advances to customers, split by specific provisions and IBNR provisions and between regulatory approach; Standardised or IRB. It is based on financial statement information.

Table 17 - Specific credit risk adjustments by regulatory approach

	31 December 2015			31 December 2014		
Specific credit risk adjustments	**IRB provisions €m**	**Standardised provisions €m**	**Total €m**	IRB provisions €m	Standardised provisions €m	Total €m
Total specific provisions	680	-	680	838	-	838
Total IBNR provisions	203	-	203	238	-	238
Total specific credit risk adjustments	**883**	**-**	**883**	1,076	-	1,076

Specific credit risk adjustment charges during the year

Table 18 below shows the movement in the provision on loans and advances to customers during the year ended 31 December 2015. It is based on financial statement information.

Table 18 - Specific credit risk adjustment charges during the year

Provisions	**31 December 2015 €m**	31 December 2014 €m
Opening balance	1,076	1,345
Amount charged during the year	(35)	(101)
Provisions utilised, reversed and other movements	(158)	(168)
of which;		
- Recoveries	*(18)*	*(16)*
Closing balance	**883**	1,076

Credit risk mitigation

The credit risk section on pages 76 and 77 of the Group's Annual Report 31 December 2015 contains information relating to:

- the policies and processes for collateral valuation and management; and
- a description of the main types of collateral taken by the Group.

Collateral used to mitigate risk, both for mortgage and other lending is diversified. The main types of guarantors are corporates, individuals, financial institutions and sovereigns. Their creditworthiness is assessed on a case-by-case basis.

Comparison of expected versus actual loss

Table 19 is based on a comparison of regulatory expected loss of the performing IRB loan portfolios as at 31 December 2014 with actual loss (specific provision charge incurred) on these portfolios in the year ended 31 December 2015.

The parameters underlying the calculation of expected loss (PD, LGD and EAD) primarily represent through the cycle estimations, i.e. they reflect and estimate the average outcomes for an entire economic cycle. To meaningfully validate expected loss, these estimates would need to be compared to all realised losses which may have materialised after all the assets have gone through their life cycle. However, such information cannot be provided and disclosed since life cycles could last for a significant number of years. Using actual accounting loss information does not provide a suitable alternative, because - unlike expected loss estimates - accounting loss information is measured at point-in-time.

The following table should therefore be read bearing in mind these significant limitations.

Table 19 - Expected versus actual loss

IRB exposure class	**Expected loss calculated on 31 December 2014 €m**	**Specific provision charge for the year ended 31 December 2015 €m**	Expected loss calculated on 31 December 2013 €m	Specific provision charge for the year ended 31 December 2014 €m
Corporates				
Institutions	-	-	-	-
Retail				
Secured by immovable property collateral	89	0	104	31
Qualifying revolving retail exposures	-	-	-	-
SME & Other	-	-	-	-
Total	**89**	**0**	**104**	**31**

Leverage ratio

CRD IV requires the disclosure of the BoIMB's leverage ratio, which measures the level of Tier 1 capital against both on and off balance sheet exposures. As at 31 December 2015, the leverage ratio was 4.4% on a transitional basis and 4.1% on a fully loaded basis.

The purpose of monitoring and managing this metric is to enable Regulators to constrain the build-up of excessive leverage, which was considered to be one of the drivers of the banking crisis.

The Basel Committee has implemented a monitoring period which runs to January 2017, during which time a proposed minimum leverage ratio of 3% should apply. This limit will be reassessed in 2017 before becoming mandatory in 2018.

On 10 October 2014, the European Commission adopted Delegated Regulation (EU) 2015/62 amending regulation (EU) No.575/2013. The table figures are produced applying this delegated act.

The table below illustrates leverage ratio calculated in accordance with Articles 429 (as amended by the Delegated Regulation (EU) 2015/62), 499(2) and (3) of the CRR and a breakdown of the BoIMB's leverage ratio exposure as at 31 December 2015 on both a transitional and fully loaded basis.

Table 20 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		31 December 2015	
		CRD IV Transitional €m	**CRD IV Fully loaded €m**
1	**Total assets as per published financial statements**	21,043	21,043
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-	-
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No.575/2013 'CRR')	-	-
4	Adjustments for derivative financial instruments	384	384
5	Adjustments for securities financing transactions 'SFTs'	-	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	262	262
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No.575/2013)	-	-
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article of Regulation (EU) No.575/2013)	-	-
7	Other adjustments	(6)	(60)
8	**Total leverage ratio exposure**	**21,683**	**21,629**

Leverage ratio (continued)

Table 21 - LRCom: Leverage ratio common disclosure		31 December 2015 CRD IV Transitional €m	31 December 2015 CRD IV Fully loaded €m
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	20,918	20,918
2	(Asset amounts deducted in determining Tier 1 capital)	(6)	(60)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**20,912**	**20,858**
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	125	125
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	384	384
EU-5a	Exposure determined under Original Exposure Method -		
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
8	(Exempted CCP leg of client-cleared trade exposures)	-	-
9	Adjusted effective notional amount of written credit derivatives	-	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
11	**Total derivative exposures (sum of lines 4 to 10)**	**509**	**509**
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14	Counterparty credit risk exposure for SFT assets	-	-
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No.575/2013	-	-
15	Agent transaction exposures	-	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**-**	**-**
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	1,200	1,200
18	(Adjustments for conversion to credit equivalent amounts)	(938)	(938)
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**262**	**262**
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)			
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No.575/2013 (on and off balance sheet))	-	-
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No.575/2013 (on and off balance sheet))	-	-
Capital and total exposures			
20	**Tier 1 capital**	**951**	**897**
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**21,683**	**21,629**
Leverage ratio			
22	**Leverage ratio**	**4.4%**	**4.1%**

Leverage ratio (continued)

Table 22 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		31 December 2015 CRD IV Transitional €m	31 December 2015 CRD IV Fully loaded €m
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which;**	**20,912**	**20,858**
EU-2	Trading Book exposures	-	-
EU-3	Banking Book exposures, of which;	20,912	20,858
EU-4	Covered bonds	-	-
EU-5	Exposures treated as sovereigns	54	-
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns -	-	-
EU-7	Institutions	2,196	2,196
EU-8	Secured by mortgages of immovable properties	17,559	17,559
EU-9	Retail exposures	-	-
EU-10	Corporate	-	-
EU-11	Exposures in default	986	986
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	117	117

LRQua: Disclosure on qualitative items

The leverage ratio is designed to serve as an important backstop to the risk-based capital measures by constraining the build-up of leverage in the banking system and providing an extra layer of protection against model risk and measurement error.

Leverage is the extent to which a firm funds its assets with borrowings rather than equity. More debt relative to each Euro of equity results in higher level of leverage. The leverage ratio measures the extent to which a firm has financed its assets with equity. It does not take into account what those assets are, or what their risk characteristics are. Leverage ratios effectively place a cap on borrowings as a multiple of a bank's equity.

The definition of the leverage ratio is Tier 1 capital divided by total assets (which include derivatives, SFT's, undrawn balances).

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

BoIMB's capital and exposures are monitored on a monthly basis which covers both a historical and a forward looking viewpoint. When proposed transactions or movements in capital or assets are being considered the impact on the leverage ratio is taken into account.

As of 31 December 2015, leverage ratio on a transitional basis was 4.4% as compared to leverage ratio of 3.5% as of 31 December 2014 taking into account Tier 1 capital of €951 million over an applicable exposure measure of €22 billion as of 31 December 2015 (€784 million and €22 billion as of 31 December 2014 respectively).

As of 31 December 2015, leverage ratio on a fully loaded was 4.1% as compared to leverage ratio of 3.2% as of 31 December 2014 taking into account Tier 1 capital of €897 million over an applicable exposure measure of €22 billion as of 31 December 2015 (€710 million and €22 billion as of 31December 2014 respectively).

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Glossary

Advanced IRB	Advanced Internal Ratings Based approach. The approach which allows banks to calculate their capital requirement for credit risk for their retail and non-retail portfolios using their own internally generated estimates of PD, LGD and CCF. These variables are then fed into a standard formula to calculate the capital requirement for the asset. Referred to as Retail IRB in this document.
Banking Book	The Banking Book consists of all banking assets, liabilities and derivatives other than those held with trading intent and booked on this basis in the Trading Book.
Basel II	The Capital Adequacy Framework issued in June 2004 by the Basel Committee, and implemented into EU law by Directive 2006/48/EC and Directive 2006/49/EC.
Basel III	Basel III is a global regulatory standard on bank capital adequacy and liquidity risk. It was agreed upon by the members of the Basel Committee on Banking Supervision. Basel III is implemented in Europe through the CRD IV legislation (see below).
Capital Requirements Directive (CRD)	Directive 2006/48/EC of the European Parliament and the Council of 14 June 2006, relating to the taking up and pursuit of the business of credit institutions together with Directive 2006/49/EC on the capital adequacy of investment firms and credit institutions.
CET 1	Common equity tier 1.
CRD IV	The CRD IV package transposes, via a Regulation and a Directive, the new global standards on bank capital (commonly known as the Basel III agreement) into the EU legal framework. The Capital Requirements Directive and the Capital Requirements Regulation were published in the Official Journal of the EU on 27 June 2013 and the legislation is being implemented on a phased basis from 1 January 2014 with full implementation by 2019.
Central Bank / CBI	The Central Bank of Ireland.
Collateral	Property or assets made available by a borrower as security against a loan. Under a collateralisation arrangement, a party who has an obligation to another party posts collateral (typically consisting of cash or securities) to secure the obligation. In the event that the counterparty defaults on the obligation, the secured party may seize the collateral.
Counterparty Credit Risk	Counterparty credit risk (CCR) means the risk that the counterparty to derivatives and security finance transactions could default before the final settlement of the transaction's cashflows.
Credit Conversion Factor (CCF)	An estimate of the proportion of undrawn commitments expected to be drawn down at the point of default. The CCF is expressed as a percentage and is used in the calculation of Exposure at Default (EAD).
Credit Risk Standardised Approach	A method for calculating risk capital requirements using ECAI ratings (where available) and supervisory risk weights.
Credit Risk Mitigation	A technique to reduce the credit risk associated with an exposure by the application of credit risk mitigants such as collateral, guarantees and credit protection.
CSA	Credit Support Annex. This is an annex to an ISDA agreement which allows the exchange of collateral (usually cash) based on mark-to-market movements on derivative contracts between counterparties.
CVA	Credit Valuation Adjustments.
Derecognition	The removal of a previously recognised financial asset or financial liability from an entity's balance sheet.
EBA	The European Banking Authority, formerly CEBS (the Committee of European Banking Supervisors).
Expected Loss	A regulatory calculation of the amount expected to be lost on an exposure using a twelve month time horizon and downturn loss estimates. Expected loss is calculated by multiplying the Probability of Default (a percentage) by the Exposure at Default (an amount) and Loss Given Default (a percentage).

External Credit Assessment Institution (ECAI)	An eligible External Credit Assessment Institution (ECAI) is an entity, other than an Export Credit Agency, that issues external credit assessments, and that has been determined by the competent authorities to meet the eligibility requirements set out in the Capital Requirements Directive. The credit assessment provided by the ECAI is used to provide a basis for capital requirement calculations in the Standardised approach for securitisation positions as well as an input into the IRB Institutions model. Further information on the use of ECAIs under the Standardised approach for other asset classes has not been disclosed due to immateriality.
Exposure at Default (EAD)	The estimated value of the bank's exposure at the moment of the borrower's default determined under regulatory rules.
Exposure Weighted Average Risk Weight	Average risk weighting of exposures. Calculating the exposure weighted average risk weight involves multiplying the exposure values by the relevant risk weight, summing the answers and dividing by the total exposure values.
Exposure Weighted Average LGD	Calculating the exposure weighted average LGD involves multiplying the exposure values by the relevant LGD, summing the answers and dividing by the total exposure values.
Foundation IRB	The approach where institutions use their own estimates of PD to calculate risk weights for each exposure. Supervisory estimates of LGDs and EADs are used.
GMRA	Global Master Repurchase Agreements, are standard industry agreements that permit the netting and the collateralisation of repo type transactions.
IBNR	Incurred but not reported provisions.
IFRS	International Financial Reporting Standards.
Internal Ratings Based Approach (IRB)	Approach to credit risk under which a bank may use internal estimates to generate risk components for use in the calculation of their credit risk regulatory capital requirements. There are two approaches: Foundation and Advanced (including Retail).
Immateriality	The CRD IV permits non-disclosure where the information to be provided is not regarded as material. Information is deemed to be material under the CRD IV if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purposes of making an economic decision. Any required items left out of this document due to immateriality are referenced in the relevant section of this document.
IRB Exposure Classes	• *Institutions:* Exposures to Financial Institutions authorised and supervised by the competent authorities and subject to prudential requirements. Includes exposure to Covered Bonds. • *Corporates:* CRD IV does not provide a definition of the corporate exposure class; it simply provides that any exposure not falling into any of the other exposure classes will be allocated to the corporate exposure class. • *Secured by immovable property collateral:* Residential mortgages. • *Qualifying revolving*: The exposures (to individuals) are revolving and unsecured. Primarily comprises of credit cards. • *Securitisation positions:* Exposures belonging to a pool - as defined below under securitisation.
ISDA	ISDA is the International Swaps and Derivatives Association. ISDA Agreements are standard industry agreements issued by ISDA which permit the netting of derivative transactions.

KIRB	8% of the risk weighted exposure amounts that would be calculated under Part 3 - Chapter 3 of CRD IV in respect of the securitised exposures, had they not been securitised, plus the amount of expected loss associated with those exposures as calculated under those articles.
Leverage Ratio	The leverage ratio is a monitoring tool which allows competent authorities to assess the risk of excessive leverage in their respective institutions.
Loss Given Default (LGD)	The likely financial loss associated with default, net of collections / recovery costs and realised security.
Mark-to-Market (MTM)	The act of recording the price or value of a security, portfolio or account to reflect its current market value rather than its book value.
Market Risk Standardised Approach	The Standardised approach to the determination of Pillar 1 capital for market risk in the Trading Book involves estimating a minimum required capital charge based on the difference in the re-pricing periods for assets, liabilities and derivatives (treated as equivalent on-balance sheet assets and liabilities). In addition, depending on the nature of the positions, it also provides for a specific risk charge. The total minimum capital charge is converted to a risk weighted asset equivalent for the Trading Book which is summed with other risk weighted assets in determining overall regulatory capital ratios.
MDB	Multilateral Development Bank.
NAMA	The National Asset Management Agency and, where the context permits, other members of NAMA's group including subsidiaries and associated companies.
Off Balance Sheet	Off balance sheet items include undrawn commitments to lend, guarantees, letters of credit, acceptances and other items as listed in Annex I of the CRR.
Operational Risk Standardised Approach	The Pillar 1 approach which allows banks to calculate their capital requirement in respect of operational risk by multiplying the gross income from each business line by the relevant factor specified in respect of that business line (as set out in CRD IV).
Originator	An entity which, either itself or through related entities, directly or indirectly, was involved in the original agreement which created the obligations or potential obligations of the debtor or potential debtor giving rise to the exposure being securitised; or an entity which purchases a third party's exposures onto its balance sheet and then securitises them.
Probability of Default (PD)	The likelihood that a debt instrument will default within a stated timeframe (For CRD IV this is a twelve month time horizon). For example, the probability of default of a certain loan is 2%; this means that there are 2 chances out of 100 that the borrower will default in the next 12 months.
Risk Weighted Assets (RWA)	Used in the calculation of risk-based capital ratios. Total assets are calculated by applying predetermined risk-weight factors (set by the regulators) to the nominal outstanding amount of each on-balance sheet asset and the notional principal amount of each off-balance sheet item. The term risk weighted assets for the purposes of this document also can be described as risk weighted exposures.
Securitisation	Converting an asset such as a loan into a marketable commodity by turning it into securities. Assets are pooled and sold, often in unitised form, enabling the lender to reliquify the asset. Any asset that generates an income stream can be securitised - i.e. mortgages, car loans, credit-card receivables.
Settlement Risk	The risk to which a bank is exposed on certain transactions unsettled after their due date.
SME	Small Medium Enterprise is defined as an enterprise which employs fewer than 250 people and whose annual turnover is less than €50 million, or annual balance sheet total less than €43 million.

Standardised Exposure Classes	• *Retail:*	Exposures must be to an individual person or person or to a small or medium sized entity. It must be one of a significant number of exposures with similar characteristics such that the risks associated with such lending are substantially reduced and, the total amount owed, shall not, to the knowledge of the credit institution, exceed €1 million.
	• *Public Sector Entities:*	Exposures to Public Sector Entities and non-commercial undertakings.
	• *Corporates:*	In general, a corporate exposure is defined as a debt obligation of a corporate, partnership or proprietorship.
	• *Exposures in default:*	Where the exposure is past due more than 90 days or unlikely to pay.
	• *Exposures associated with particularly high risks:*	Exposures associated with particularly high risks such as investments in venture capital firms and private equity investments.
	• *Institutions and Corporates with a short-term credit assessment:*	Exposures for which a short-term credit assessment by a nominated ECAI is available.
	• *Other items:*	Exposures not falling into the other exposure classes outlined.

Trading Book

A Trading Book consists of positions in financial instruments and commodities held either with intent to trade, or in order to hedge other elements of the Trading Book. To be eligible for Trading Book capital treatment, financial instruments must either be free of any restrictive covenants on their tradability, or are able to be hedged completely.

Through-the-Cycle PD (TtC PD)

A version of the Probability of Default measure engineered to estimate the average one-year probability of default over an economic cycle. For example, if the TtC PD of a certain loan is 2% this means that there is, on average over an economic cycle, a 2 in 100 chance that the borrower will default in any given year.