Bank of Ireland

Full Rating Report

Ratings

Foreign Currency

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

Sovereign Risk

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

Outlooks

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

Financial Data

Bank of Ireland

	31 Dec 15	31 Dec 14
Total assets (USDm)	142,580	157,582
Total assets (EURm)	130,960	129,800
Total equity (EURm)	8,373	7,447
Operating profit (EURm)	1,218	971
Net income (EURm)	947	786
Comprehensive income (EURm)	1,178	1,001
Operating ROAA (%)	0.93	0.74
Operating ROAE (%)	15.19	13.88
Fitch Core Capital/ weighted risks (%)	10.90	9.51
Fitch eligible capital/ weighted risks (%)	11.60	9.51
Common equity tier 1 ratio (%)[a]	13.30	14.80

[a] Transitional

Related Research

Bank of Ireland – Ratings Navigator (January 2016)

Fitch Upgrades Bank of Ireland and Allied Irish Bank; Outlook Positive (December 2015)

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Key Rating Drivers

Improving Credit Metrics: Bank of Ireland's (BOI) ratings and Outlook reflect ongoing improvements in its credit metrics. Asset quality, business prospects, profitability and capitalisation have all improved.

Problem Assets Declining, Still High: BOI continued to seek repayment or restructuring of its problem loans throughout 2015. Its success has been aided by a combination of a pick-up in real estate prices, strong investor appetite, and a slower formation of arrears, both in the UK and in Ireland. Defaulted loans reduced by EUR3.8bn in 2015.

However, BOI's legacy problem assets, including non-performing or low-yielding loans forborne, restructured, impaired or defaulted still account for a high proportion of total loans and, net of reserves for impaired loans, of Fitch Core Capital. The stock of problem loans constrains the ratings.

Strengthening Capital Ratios: Capitalisation strengthened significantly during 2015 due to retained earnings and Fitch expects this trend to continue in 2016. BOI redeemed all outstanding 2009 preference shares in January 2016 and issued EUR750m Additional Tier 1 capital in June 2015. It aims to start to pay dividends in 2017. Its common equity Tier 1 (CET1) ratio of 13.3% compares with a Supervisory Review and Evaluation (SREP) requirement for 2016 of 10.25%

Stronger Profitability: Profitability improved in 2015, partly as a result of large one-off gains including the sale of liquid assets but mainly because of wider net interest margins (NIMs), and lower loan impairment charges (LICs). We expect profitability to stabilise at current levels in 2016 as LICs remain low, NIMs wide and business volumes increase. However, one-off gains are likely to be lower. NIMs benefit from an improved loan mix, a smaller liquidity buffer and low funding costs but costs will suffer from the need to invest in systems and risk controls.

Strong Domestic Franchise: BOI has a strong franchise in Ireland, which should enable it to take full advantage of further improvements in the economy and increasing demand for credit. However, the Irish economy is small and economic conditions have proved volatile, which in our opinion constrains the strength of its franchise

Challenger in UK: BOI's presence in the UK is moderate, and although it has benefited from the recent benign operating environment, it remains a challenger to the high street banks.

Support Not Factored into Ratings: Fitch believes that senior creditors cannot rely on receiving full extraordinary support from the sovereign if BOI becomes non-viable, and has therefore not factored any potential extraordinary support into the ratings.

Rating Sensitivities

Asset-Quality Improvements: Weak asset quality constrains BOI's VR and rating upgrades will be subject to continued improvements in the quality of its loan book. The Positive Outlook on BOI's IDRs reflects Fitch's expectation that the ratings may be upgraded further over the next 12-24 months should the current pace of deleveraging of non-core assets continue.

Weakening Macroeconomic Conditions: The ratings could come under pressure if any of our expectations are not met, or if macroeconomic conditions reverse and cause further weakening of asset quality so that LICs compromise profitability and therefore capital flexibility.

Figure 1
Divisional Performance/Underlying Profit/(Loss) Before Tax

	Operating income		Loan impairment charges		Profit (loss) before tax		Loans and advances (EURbn)		Customer deposits (EURbn)	
(EURm)	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Retail Ireland	1,435	1,322	95	226	507	328	36	37	39	37
Bank of Ireland Life[b]	203	229	0	0	103	133	0	0	-	-
Retail UK[a]	715	676	139	228	193	127	42	41	29	26
Corporate and Treasury	893	819	62	88	637	553	13	12	12	12
Group centre & other[c]	42	-68	0	0	-223	-220			-	-
Inter-segment eliminations	-16	-4	0	0	-16	0				
Total underlying	**3,272**	**2,974**	**296**	**542**	**1,201**	**921**	**91**	**90**	**80**	**75**
Non-core items	21	-2			31	-1				
Reported	**3,293**	**2,972**	**296**	**542**	**1,232**	**920**	**91**	**90**	**80**	**75**

[a] EURm equivalent
[b] Net of insurance claims
[c] Net of ELG fees
Source: BOI, Fitch

Operating Environment

Our assessment of BOI's operating environment is a blend of that of the Republic of Ireland (A/Stable) and the UK (AA+/Stable) given the breakdown of the bank's business profile.

Fitch upgraded Ireland's sovereign rating to 'A' from 'A−' and revised the Outlook to Stable from Positive in February 2016. The economy continues to expand briskly, with GDP growth averaging 7% in the first three quarters of 2015. Fitch expects the economy to expand by around 4% in 2016. We expect a continued strengthening of the labour market and rising household consumption to underpin robust domestic demand growth in 2016, which will support BOI's recovery.

BOI is also relatively exposed to the UK's operating environment, where falling unemployment, robust GDP growth, low base rates and a strongly performing housing market have allowed its performance there to improve strongly.

Company Profile

BOI is one of two pillar banks in Ireland, the largest by assets but the second largest domestically. Although it benefits from significant market shares, particularly towards corporates, the economy in which it operates is small and volatile, which constrains the strength of its franchise.

The group operates through about 250 retail bank branches in Ireland and 35 in Northern Ireland. In mainland UK, BOI UK operates a partnership with the Post Office that raises deposits and distributes mortgages and other financial products. The Post Office distribution network consists of 11,500 branches and over 2,200 ATMs in the UK and gives the bank access to around 2.8 million customers. BOI UK has also recently reached a long-term distribution agreement with the Automobile Association (AA) to provide retail products (credit cards, unsecured personal loans, savings and mortgages) in the UK, which will give it access to a further 4 million customers.

The group has exited its Irish intermediary mortgage business and is winding down its UK corporate and business banking books (excluding Northern Ireland), in line with the requirement of its EU Restructuring Plan, originally approved by the European Commission on 20 December 2011. A revision of the plan has allowed it to retain New Ireland Assurance Company plc.

Related Criteria

Global Bank Rating Criteria (March 2015)

Figure 2
Shareholders

March 2016	(%)
Ireland Strategic Investment Fund (formerly National Pension Fund)	13.9
Fidelity Management and Research	6.05
BlackRock Investment Management (UK) Ltd	5.77
Capital Research & Management Co (World)	4.22
Baillie Gifford & Co	4.01
Hamblin Watsa Invesment counsel Ltd	2.89
Marketfield Asset Management LLC	2.78
Norges Bank Investment	1.87
The Vanguard Group Inc	1.68
Capital Research & Management Co (Global)	1.46
MFS International (UK) Ltd	1.39
Widely Held	53.98
Total	**100.0**

Source: NTMA, Factiva

New Ireland Life is the second-largest assurance provider in Ireland. It offers pension and life products, including life assurance, life protection, pensions and investment products to the Irish market through the group's branch network, its financial advisors (direct sales force) and independent brokers. Most of its risk is re-insured, so effectively it acts mostly as a distributor.

We consider the bank's business model now stable after several years of restructuring, and that it gives BOI some diversification within Ireland, although its operations are concentrated geographically in the Republic of Ireland and the UK. The group reports under five major segments: Retail Ireland, BOI Life (life assurance, protection, pensions and investment products in Ireland), Retail UK, Corporate and Treasury (includes larger business customers, global markets and treasury), and Group Centre (support functions).

Just over half the bank's share capital is widely held (see Figure 2). The other half is held by a number of institutional investors and the National Pensions Reserve Fund Commission, owned by the Irish state, which holds 14%, down from 36% in July 2011.

Management and Strategy

Our assessment of the bank's management and strategy considers management's success in strengthening the group's capitalisation, reducing problem loans, raising profitability, and attracting private investment and fresh capital. We consider management risk averse and competent to deal with both the restructuring and relaunch of the bank's core business. Staff turnover has been low since the crisis.

Corporate governance has also proved effective at BOI and does not constrain the rating. Transparency of financial statements is good at year-end and half-year, comparing well internationally; non-executives and independents are well represented on the board, and include the governor.

The bank's strategic objectives have been well articulated, with a modest shift since the crisis from recovery to growth. The strategy is focused on maintaining profitability and improving its capital position in a sustainable manner. The bank renewed its strategic priorities at the start of 2015 around customers, profitability and capital. Its stated priorities for 2015 and beyond include: building new customer relationships; building margins, loan and deposit growth; managing costs; reducing the amount of of defaulted loans by working with customers in difficulty; and protecting and managing capital.

Management faces a significant challenge to reduce the large stock of impaired loans and replace legacy loans with better-quality ones. However, it has exceeded a number of targets. We therefore consider the management's execution to have been strong.

BOI UK's strategic objectives are consistent with its parent's, although in the UK the bank is a not a market leader. Growth targets are ambitious but will benefit from the strong Post Office distribution network and more recently the AA agreement. Growth will be focused on new mortgage origination. Exposure to commercial loans (GBP1.3bn) has reduced significantly in accordance with the restructuring plan, aided by strong provisioning and a supportive operating environment.

Risk Appetite

BOI's position as a universal bank and one of Ireland's two pillar banks means its client base is varied. Its credit risk appetite is therefore moderate. New mortgage loans have recently focussed on low-LTV, prime, owner-occupied mortgagees, supplemented by buy-to-let (BTL) and a small amount of higher LTV (mostly first-time-buyer) mortgages. Management has stated that it will not look to enter markets that increase its risk appetite, such as bridging finance and second-charge mortgages, and the bank is exiting non-standard lending in the UK. Mortgage growth will be supported by investment in the bank's intermediary proposition and it will carry out direct lending through the Post Office.

Figure 3

SME/Corporate Loan Book Breakdown

(End-2015)

(EURm)	ROI	UK	Other
Agriculture	1,624	412	0
Energy	463	35	0
Manufacturing	2,881	561	555
Property/ construction	8,130	5,227	0
Distribution	2,720	254	20
Transport	1,340	134	75
Financial	839	120	13
Business and other services	5,932	2,514	502
Total	**23,929**	**9,257**	**1,165**

Source: BOI, Fitch

Refer to Peer Analysis below for comparative financial data.

Risk is controlled through a risk appetite statement, set by the bank's board. This sets down credit limits based on maximum exposure, concentration and credit policies. The group's credit processes and controls have been upgraded since the crisis and have become well established, with independent overviews and defined levels of authorities. Problem loans are managed by two dedicated teams, the Mortgage Arrears Resolution Strategy and the Challenged Assets Group, both of which have helped reduce the company's distressed assets.

Growth has been strong in the UK and while lending, gross of repayments, has been moderate over the past year, overall the loan book has remained relatively stable, with some growth in UK mortgages, counterbalanced by overall deleveraging in Irish mortgages and commercial real estate in both the UK and Ireland. Deleveraging has been achieved in a capital-accretive way and new lending is extended at more remunerative terms.

Market Risk

Market risk at BOI resides in its trading activities and its banking book. The bank takes on a moderate amount of discretionary market risk through its global markets business in the form of discretionary interest rate risk in the banking book as well as trading book risk. This exposure is controlled by type of market and instrument in which risk can be assumed, the types of positions that may be taken and the limits that must be applied. Most risk consists of interest rate risk in euro, sterling and US dollar markets. Risk is measured using a value-at-risk model, which is supplemented by a range of other measures including stress tests. Capital set aside for trading risk is assessed using the standardised approach under its Pillar 1 requirement, which resulted in risk-weighted assets of around EUR400m at end-2015.

Structural risk is also present in the bank's banking book. This includes the cross-currency basis risk arising from funding a material part of the group's UK balance sheet from euros, in-currency basis risk and the structural interest rate arising from non-interest bearing liabilities. The latter risk is hedged by way of swaps with an average life of 3-5 years.

Market risk arising from mismatches in fixed against floating loans and deposits in the customer-facing business is centralised using an internal transfer pricing system, hedged internally with the bank's own global market business and then hedged externally.

Value at risk (VaR), which is applied to discretionary risk in both the trading and banking books (a one-day horizon at the 99% level of statistical confidence), had a peak of EUR2.8m and average of EUR1.2m in 2014 (2015 VaR figures not available).

Operational Risk

Operational risk is monitored through specific policies and risk-mitigation measures and includes financial crime risk, information security risk, outsourcing payment risk and business disruption risk.

Pension Risk

The bank has exposure to pension risk, which it has sought to control by closing its defined-benefit schemes to new entrants since 2006. The schemes were also restructured following two reviews (in 2010 and 2013), both of which were accepted by unions and by staff through individual staff member consent. The restructuring reduced the deficit of these schemes. A new defined-contribution scheme was also established for new hires in 2014.

Financial Profile

Asset Quality

BOI's loans account for around 70% of total assets and we believe they account for most credit risk. The balance consists mostly of liquid assets, corporate and NAMA bonds, and securities held by its insurance operations.

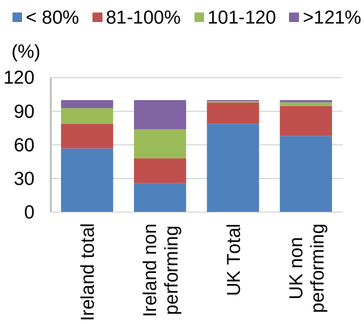
Residential mortgages account for the largest share of the loan book (58%) and are extended in Ireland and in the UK (see Figure 4). Irish residential mortgages can be broken down into owner-occupied (just under 80% of the total Irish book) and BTL. Average LTVs in this property book show quite a high proportion of lending with negative equity – a feature of the Irish market, although thanks to new lending and rising property prices the figures are improving steadily. Around half the Irish mortgage book had been extended on a tracker basis: the yields are therefore closely correlated to euro interest rates, currently at an extremely low 0.05%.

UK mortgages account for just under a third of the total loan book, divided among owner-occupied (51% of UK mortgages), BTL (37%) and self-certified (13%), the last being in run off. BOI, as the largest corporate lender in Ireland, also has a significant SME/corporate loan book (see Figure 5). It provides around half of all Irish banking lending. Although exposure has been skewed towards property and construction in the past, both in the UK and Ireland, this exposure is gradually being reduced. Nonetheless, commercial real estate is likely to remain attractive for Irish banks in the long term due to the high yields historically available in some parts of the country, and it is likely to continue to account for a significant proportion of the overall loan book. Fitch will continue to monitor any developments in this area given the risks these loans gave rise to in the global financial crisis.

Overall exposure, particularly new lending, is closely related to the country's economic activity. New lending has been strong across its different portfolios with growth in mortgage lending in both RoI and the UK, as well as RoI business loans which have been largely to the agricultural, motor finance and commercial finance sectors. The group also has a long-standing leveraged finance book totalling around EUR3.5bn, a large part of which is extended in the US. Exposures in this portfolio are highly leveraged but historical losses have been low. The bank mainly participates at the senior debt level.

Figure 4

Residential LTVs



Source: BOI

The rest of the retail loan book in Ireland and in the UK consists of unsecured loans. Around two-thirds of UK consumer lending consists of the NIIB portfolio (mostly motor finance), a quarter consists of credit cards and the rest of other consumer lending. The last incorporates Northern Ireland fixed-rate loans and Post Office personal loans. The commercial loan portfolio (apart from Northern Ireland) is in run-off.

Individual borrower concentration is limited: at 31 December 2015, the group's top 20 largest exposures totalled EUR5.1bn or 6% of gross loans (the equivalent of a moderate 88% of Fitch Core Capital).

Impaired Loans

The stock of problematic loans on BOI's books is high, and includes, in addition to impaired and defaulted loans, a high proportion of loans past due but not impaired, and forborne loans.

Figure 5

Asset Quality and Impairment Allowances (Breakdown)

	Gross loans					Defaulted					Reserves				
(GBPbn)	2015	(%)[a]	+/– (%)	2014	(%)[a]	2015	(%)[b]	+/– (%)	2014	(%)[b]	2015	(%)[c]	+/– (%)	2014	(%)[c]
Ireland															
Residential mortgages	24,991	**28**	**-2.3**	25,588	**29**	2,322	**9.3**	**-28**	3,219	**12.6**	1,199	**52**	**-9.8**	1,486	**46**
Personal lending	1,558	**2**	**5.0**	1,484	**2**										
Property: Investment	6,884	**8**	**-3.7**	7,150	**8**										
Property: Land and development	1,246	**1**	**-22.7**	1,612	**2**										
SME/corporate	15,799	**17**	**1.2**	15,612	**17**										
Total Ireland	**50,478**	**56**	**-1.9**	**51,446**	**57**										
UK															
Residential mortgages	27,914	**31**	**9.9**	25,395	**28**	440	**1.6**	**-13**	507	**2.0**	98	**22**	**-0.8**	118	**23**
Personal lending	1,781	**2**	**21.2**	1,470	**2**										
Property	4,504	**5**	**-16.2**	5,372	**6**										
Construction	723	**1**	**-33.4**	1,085	**1**										
SME/corporate	4,030	**4**	**3.4**	3,899	**4**										
Total UK	38,952	**43**	**4.7**	**37,221**	**42**										
Rest of the world															
SME/corporate – US				640	**1**										
SME/corporate – Europe				233	**0**										
Total rest of world	1,165	**1**	**33.4**	873	**1**										
Total	90,595	**100**	**1.2**												
Residential mortgages	52,905	**58**	**3.8**	50,983	**57**	2,762	**5.2**	**-26**	3,726	**7.3**	1,297	**47**	**-19**	1,604	**43**
Personal lending	3,339	**3**	**13.0**	2,954	**3**	136	**4.1**	**-28**	189	**6.4**	143	**105**	**-23**	185	**98**
Property: Investment	11,388	**14**	**-9.0**	12,522	**14**	3,248	**28.5**	**-30**	4,660	**37.2**	1,737	**53**	**-19**	2,138	**46**
Property: Land and development	1,969	**3**	**-27.0**	2,697	**3**	1,669	**84.8**	**-31**	2,414	**89.5**	1,264	**76**	**-30**	1,797	**74**
SME/corporate	20,994	**22**	**3.0**	20,384	**23**	2,729	**13**	**-19**	3,351	**16.4**	1,445	**53**	**-63**	3,935	**56**
Total	**90,595**	**100**	**1.2**	**89,540**	**100**	**10,544**	**11.6**	**-26**	**14,340**	**16.0**	**5,886**	**56**	**-21**	**7,423**	**52**

[a] Percentage of total gross loans
[b] Proportion of loans to that sector
[c] Impairment coverage of impaired loans
Source: BOI, Fitch

Impaired loans accounted for 11% of total loans at end-2015; the bank also had some residential mortgage loans more than three months overdue but not impaired (altogether defined as "defaulted" loans), which added a further 0.6% to total problem loans. Loans overdue by less than three months accounted for a further 2.2% of the total book.

The quality of BOI's loan book is improving fast and Fitch expects it to improve further over the next 18 months before stabilising. Defaulted loans reduced by EUR3.7bn in 2015, and we expect continued rapid removal of these loans over the next 12 months thanks to growth in the Irish economy, the high demand for property in Ireland and management's continued efforts to reduce these legacy assets. However, BOI's ability to keep reducing non-core loans at the

Figure 6

Loan Quality Breakdown – End-2015

	Residential mortgages	(%) of total loans	Non property SME/corporates	(%) of total loans	Property/ construction	(%) of total loans	Consumer loans	(%) of total loans	Total	(%) of total loans
Impaired loans	2,201	2.4	2,729	3.0	4,917	5.4	136	0.2	9,983	11
90d+ past due not impaired (defaulted)	561	0.6	0	0	0	0	0	0	561	0.6
Defaulted (impaired + 90d+ past due)	**2,762**	**3.0**	**2,729**	**3.0**	**4,917**	**5.4**	**136**	**0.2**	**10,544**	**11.6**
Other past due not defaulted	1,433	1.6	105	0.0	374	0.0	73	0.0	1,985	0.2
Not past due not impaired	48,710	53.8	18,160	20.0	8,066	8.9	3,130	3.5	78,066	86.2
Total loans of which	**52,905**	**58.4**	**20,994**	**23.2**	**13,357**	**14.7**	**3,339**	**3.7**	**90,595**	**100.0**
Forborne, not past due, not impaired	2,826	3.1	1,952	2.2	3,205	3.5	69	0.1	8,052	8.9
Forborne past due not impaired	409	0.5	19	0.0	288	0.3	7	0.0	723	0.8
Forborne, impaired	489	0.5	125	0.1	104	0.1	0	0.0	718	0.8
Total forborne loans	**3,724**	**4.1**	**2,096**	**2.3**	**3,597**	**4.0**	**76**	**0.1**	**9,493**	**10.5**

Source: BOI, Fitch

current pace is subject to continued investor sentiment and continued economic improvement, both of which we expect to continue. Overall, defaulted loans have reduced by EUR7.7bn since the reported peak in June 2013.

Reserves for defaulted loans remained at a comfortable 56% of gross defaulted loans at end-2015 (2014: 52%). The bank claims that most deals are completed at book value. Repossessions remain small. Most problematic mortgages are dealt with by reaching consensual agreements with the borrower.

Other Earnings Assets

The bank has a portfolio of available-for-sale assets used primarily for liquidity management. These consist largely of Irish government bonds (EUR5.2bn). It also has a small portfolio of assets held to maturity, exposure to derivatives, and interbank placements. Overall exposure to other earning assets was EUR27.2bn at end-2015, of which EUR16bn were assets held on behalf of Bank of Ireland Life policyholders. Changes in carrying value of these assets are passed to policyholders.

The bank has provided a breakdown of the credit profile of these other financial instruments using both external agency ratings and internal ratings, which shows that 96% of the exposures were rated investment grade at end-2015 (97% at end-2014). The proportion rated ‘A’ or above was 89% at end-2015 (92% at end-2014).

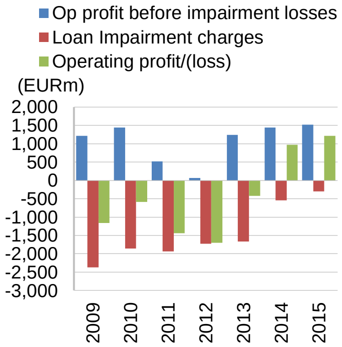
Earnings and Profitability

Refer to *Peer Analysis* below for comparative financial data.

BOI became profitable in 2014 and profitability has been improving since then. Our expectation is for operating profits to stabilise at current levels as impairments remain low, costs to remain controlled despite some short-term pressure from a need to invest in systems (see details below) and margins stabilise at the current higher levels. Bottom lines have been boosted in recent years (including 2015) by gains on the sale of Irish Treasury securities, which are not likely to be repeated.

Figure 7

Operating Profitability



Source: BOI, Fitch

The bank’s NIM has been widening as a result of significantly lower funding costs (see Figure 7), and the natural turnover of the book, with higher-yielding loans compared to the legacy book and a reducing liquidity portfolio. Nonetheless, yields on new loans are under pressure, particularly on UK mortgages due to increased competition. In addition, funding costs will be affected by the higher funding costs of the recently issued wholesale funds, including the AT1 securities (7.375% coupon). Despite the pressures, a more efficient use of funds, the replacement of legacy assets with higher-yielding new loans and the continuation of low funding costs all acted together to increase the full-year NIM to 2.07% at end-2015 compared to end-2014. However, we believe NIMs are likely now to stabilise at current levels until base rates rise in the UK and interest rates rise in the eurozone.

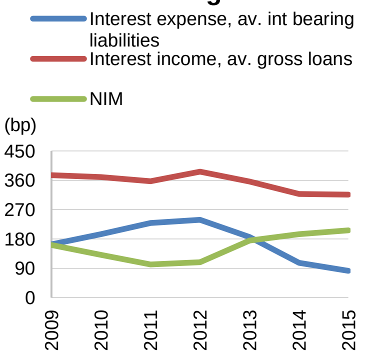
The large increase in non-interest income in both 2014 and 2015 is largely the result of gains from the sale of Irish Treasury bonds and the sale and revaluation of investment properties and other financial instruments. Other operating income is generated by the insurance business, brokerage and general banking transaction fees. We do not expect the gains from sale of bonds to be recurring items.

The bank’s cost/income ratio of 53% for 2015 includes a number of one-off gains, and we expect the ratio to rise in 2016 as the bank invests in digitalisation and improvements in its IT platform. We expect other operating expenses to remain under control.

LICs reduced significantly in 2015, with reductions across all asset classes. We forecast them to stabilise at current levels for 2016, with a LICs/gross loans ratio of around 40bp.

Figure 8

Net Interest Margin

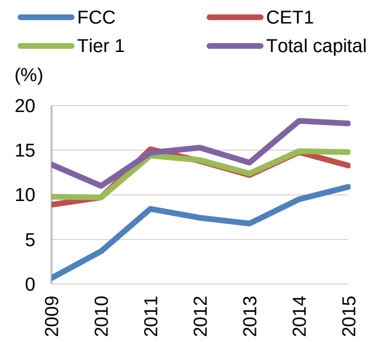


Source: BOI, Fitch

Refer to Peer Analysis below for comparative financial data.

Figure 9

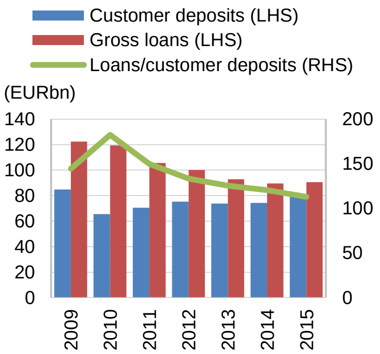
Capital Ratios



Source: BOI, Fitch

Figure 10

Funding Profile



Source: BOI, Fitch

Capitalisation and Leverage

BOI's regulatory capital ratios strengthened by 200bp in 2015 due to retained earnings and risk-weighted asset reductions. The group's fully loaded Basel 3 CET1 ratio rose to 11.3% at end-2015 from 9.3% at end-2014. The transitional CET1 ratio was 13.3%; the main differences are the inclusion of deferred tax assets (90% of the total, EUR1.4bn), and the inclusion of pension benefit obligations (EUR391m, positive) and available-for-sale reserves (EUR466m).

The pension fund deficit renders the bank's CET1 volatile because of large movements in pension obligations: it can affect CET1 by as much as 50bp in a quarter. The bank plans to maintain a management buffer of 150bp-200bp over its SREP requirement of 10.25%, partly to reduce the risk resulting from the pension fund volatility. The EUR1.3bn preference shares (state aid instruments – granted in 2009 and grandfathered until 31 December 2017) have been repaid.

Tier 1 and Tier 2 capital add around 670bp to the bank's overall capitalisation and consist mostly of the newly issued AT1 securities (EUR750m; 51/8 trigger, 50% equity credit assigned), and Tier 2 debt, both issued in 2015. The bank had very few grandfathered Tier 1 and Tier 2 instruments outstanding.

The leverage ratio is strong at 5.7% on a fully loaded basis and includes the AT1 securities.

BOI UK is strongly capitalised but we understand that fungibility of capital may be limited by "ring fencing" under stress. BOI UK reported a leverage ratio of 5.5% at end-1H15 and is showing good capacity for internal capital generation. Its fully loaded Capital Requirements Directive IV (CRD IV) CET1 ratio was 13.5% at the same date. BOI injected additional CET1 into its UK subsidiary in November 2015 as part of the bank's capital reorganisation. This also included the conversion of GBP300m non-CRD IV compliant preference shares (repayable to the parent) in 1H15 into GBP200m AT1, with the remaining GBP100m returned to the parent. It has also involved the conversion of additional non-CRD IV compliant subordinated debt into CET1 (GBP165m), AT1 (GBP100m), Tier 2 (GBP200m) and GBP65m returned to the parent.

Funding and Liquidity

BOI's funding has become more normal, with very little reliance on wholesale and monetary authority funds. The bank has a significant deposit franchise in Ireland and in the UK – customer deposits continued to increase over 2015 and the loans/customer deposits ratio is now much improved. Access to wholesale unsecured funding markets has become easier following quantative easing in the EU and favourable investor sentiment for Ireland, and the bank has managed to pre-fund some upcoming maturities.

At end-2015, it had around EUR6bn of covered bonds outstanding and EUR3bn of securitisations. Senior unsecured debt added a further EUR3bn to wholesale funding and monetary authority funds were reduced to just EUR1.5bn (end-2014: EUR4bn), and were in the form of the European Central Bank's Targeted Long-Term Refinancing Operation. Funds maturing within one year were reduced to just EUR2bn (end-2014: EUR8bn) and were amply covered by the bank's liquidity reserves.

The UK loan book is funded predominantly through retail deposits gathered via the Post Office (78% of total deposits at end-Q315) and the bank's operations in Northern Ireland (19%). Some funding of the bank's branch network is obtained from Irish operations.

Liquidity was also adequate, with an end-2015 reported Liquidity Coverage Ratio (LCR) of 108% and a Net Stable Funding Ratio of 120%. Balance sheet encumbrance has reduced as a result of the repayment of the monetary authority funding. Contingency liquidity buffers/plans are available.

Figure 11

Liquid Assets

(EURm)	2015	2014
Cash at banks	4	4
Cash balances at central banks	7	5
Bank of England	**5**	**4**
Central Bank of Ireland	**1**	**1**
US Federal Reserve	**1**	
Government bonds	8	8
Available for sale	**6**	**8**
Held to maturity	**2**	**0**
NAMA senior bonds	1	2
Covered bonds	2	3
Senior bank bonds and other	2	3
Total	**24**	**25**

Source: BOI

Debt Ratings

The subordinated debt and other hybrid capital issued by BOI are notched off its Viability Rating (VR) and reflect the performance of these instruments. Subordinated Tier 2 is notched down once from the VR, reflecting higher loss severity relative to senior obligations. BOI UK Holding's deferrable subordinated notes guaranteed by BOI are notched three times from BOI's VR, twice for non-performance due to the notes' cumulative and deferrable coupon payments at the issuer's discretion and once for loss severity due to the absence of write-down or equity conversion features.

Peer Analysis

Figure 12
Peer Table

	BOI (‘bbb−’)		AIB (‘bb+’)		Ulster Bank Ltd. (‘bb’)
(%)	**2015**	**2014**	**2015**	**2014**	**2014**
Asset quality					
Growth of gross loans	1.15	-3.47	-3.21-	-8.65	-16.82
Impaired loans/gross loans	11.02	14.96	24.56	29.29	42.87
Reserves for impaired loans/impaired loans	58.96	55.40	52.73	55.98	73.81
Impaired loans less reserves for impaired loans/FCC		121.76	156.81	227.41	78.56
Impaired loans less reserves for impaired loans/FEC		121.76	95.27	125.24	n.a.
Loan impairment charges/av. gross loans	0.33	0.59	-1.46	-0.23	-3.73
Profitability					
Net interest income/av. earning assets	2.07	1.95	2.01	1.70	1.55
Non-interest expense/gross revenues	55.42	54.54	51.18	64.69	66.82
Loans and securities impairment charges/pre-impairment operating profit	19.55	32.71	-82.37	-20.50	-496.96
Operating profit/av. total assets	0.93	0.74	2.32	0.99	4.54
Operating profit/RWA	2.29	1.88	4.11	1.87	n.a.
Net income/av. equity	11.81	11.24	20.14	12.10	41.82
Capital and leverage					
FCC/RWA		9.51	8.97	7.26	n.a.
Tangible common equity/tangible assets		4.28	5.24	4.14	13.65
Common equity tier 1l ratio (transitional)	13.30	14.80	17.40	16.40	n.a.
Internal capital generation	8.24	8.66	19.28	11.38	36.01
Funding and liquidity					
Loans/customer deposits	113.03	120.62	115.85	122.30	170.25
Interbank assets/interbank liabilities	503.52	464.35	13.61	11.12	140.86
Customer deposits/total funding (excluding derivatives)	82.73	76.19	70.79	68.66	70.23

Source: Fitch, Banks

Bank of Ireland
Income Statement

	31 Dec 2015			31 Dec 2014		31 Dec 2013		31 Dec 2012	
	Year End USDm Unaudited	Year End EURm Unaudited	As % of Earning Assets	Year End EURm Unqualified	As % of Earning Assets	Year End EURm Unqualified	As % of Earning Assets	Year End EURm Unqualified	As % of Earning Assets
1. Interest Income on Loans	3,124.7	2,870.0	2.44	2,907.0	2.43	3,128.0	2.59	3,332.0	2.48
2. Other Interest Income	434.4	399.0	0.34	525.0	0.44	541.0	0.45	674.0	0.50
3. Dividend Income	12.0	11.0	0.01	11.0	0.01	5.0	0.00	2.0	0.00
4. Gross Interest and Dividend Income	**3,571.0**	**3,280.0**	**2.79**	**3,443.0**	**2.88**	**3,674.0**	**3.04**	**4,008.0**	**2.98**
5. Interest Expense on Customer Deposits	510.6	469.0	0.40	660.0	0.55	1,066.0	0.88	1,659.0	1.23
6. Other Interest Expense	387.6	356.0	0.30	451.0	0.38	599.0	0.50	901.0	0.67
7. Total Interest Expense	**898.2**	**825.0**	**0.70**	**1,111.0**	**0.93**	**1,665.0**	**1.38**	**2,560.0**	**1.90**
8. Net Interest Income	**2,672.8**	**2,455.0**	**2.09**	**2,332.0**	**1.95**	**2,009.0**	**1.66**	**1,448.0**	**1.08**
9. Net Gains (Losses) on Trading and Derivatives	63.1	58.0	0.05	(42.0)	(0.04)	12.0	0.01	(275.0)	(0.20)
10. Net Gains (Losses) on Other Securities	225.4	207.0	0.18	192.0	0.16	50.0	0.04	60.0	0.04
11. Net Gains (Losses) on Assets at FV through Income Statement	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
12. Net Insurance Income	230.8	212.0	0.18	103.0	0.09	164.0	0.14	136.0	0.10
13. Net Fees and Commissions	347.3	319.0	0.27	344.0	0.29	301.0	0.25	300.0	0.22
14. Other Operating Income	45.7	42.0	0.04	43.0	0.04	(17.0)	(0.01)	(9.0)	(0.01)
15. Total Non-Interest Operating Income	**912.4**	**838.0**	**0.71**	**640.0**	**0.53**	**510.0**	**0.42**	**212.0**	**0.16**
16. Personnel Expenses	973.3	894.0	0.76	762.0	0.64	550.0	0.46	964.0	0.72
17. Other Operating Expenses	1,013.6	931.0	0.79	859.0	0.72	757.0	0.63	674.0	0.50
18. Total Non-Interest Expenses	**1,986.9**	**1,825.0**	**1.55**	**1,621.0**	**1.35**	**1,307.0**	**1.08**	**1,638.0**	**1.22**
19. Equity-accounted Profit/ Loss - Operating	50.1	46.0	0.04	92.0	0.08	31.0	0.03	46.0	0.03
20. Pre-Impairment Operating Profit	**1,648.3**	**1,514.0**	**1.29**	**1,443.0**	**1.21**	**1,243.0**	**1.03**	**68.0**	**0.05**
21. Loan Impairment Charge	322.3	296.0	0.25	542.0	0.45	1,665.0	1.38	1,724.0	1.28
22. Securities and Other Credit Impairment Charges	n.a.	n.a.	-	(70.0)	(0.06)	0.0	0.00	45.0	0.03
23. Operating Profit	**1,326.1**	**1,218.0**	**1.04**	**971.0**	**0.81**	**(422.0)**	**(0.35)**	**(1,701.0)**	**(1.27)**
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
25. Non-recurring Income	62.1	57.0	0.05	9.0	0.01	0.0	0.00	69.0	0.05
26. Non-recurring Expense	46.8	43.0	0.04	60.0	0.05	103.0	0.09	546.0	0.41
27. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
28. Other Non-operating Income and Expenses	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
29. Pre-tax Profit	**1,341.3**	**1,232.0**	**1.05**	**920.0**	**0.77**	**(525.0)**	**(0.43)**	**(2,178.0)**	**(1.62)**
30. Tax expense	310.3	285.0	0.24	134.0	0.11	(35.0)	(0.03)	(337.0)	(0.25)
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
32. Net Income	**1,031.0**	**947.0**	**0.81**	**786.0**	**0.66**	**(490.0)**	**(0.41)**	**(1,841.0)**	**(1.37)**
33. Change in Value of AFS Investments	(88.2)	(81.0)	(0.07)	133.0	0.11	317.0	0.26	875.0	0.65
34. Revaluation of Fixed Assets	12.0	11.0	0.01	1.0	0.00	0.0	0.00	(1.0)	(0.00)
35. Currency Translation Differences	277.6	255.0	0.22	275.0	0.23	(81.0)	(0.07)	136.0	0.10
36. Remaining OCI Gains/(losses)	50.1	46.0	0.04	(194.0)	(0.16)	(298.0)	(0.25)	(627.0)	(0.47)
37. Fitch Comprehensive Income	**1,282.5**	**1,178.0**	**1.00**	**1,001.0**	**0.84**	**(552.0)**	**(0.46)**	**(1,458.0)**	**(1.08)**
38. Memo: Profit Allocation to Non-controlling Interests	7.6	7.0	0.01	n.a.	-	(3.0)	(0.00)	(5.0)	(0.00)
39. Memo: Net Income after Allocation to Non-controlling Interests	1,023.4	940.0	0.80	786.0	0.66	(487.0)	(0.40)	(1,836.0)	(1.37)
40. Memo: Common Dividends Relating to the Period	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
41. Memo: Preferred Dividends Related to the Period	279.8	257.0	0.22	141.0	0.12	240.0	0.20	196.0	0.15
Exchange rate		USD1 = EUR0.91850		USD1 = EUR0.82370		USD1 = EUR0.72510		USD1 = EUR0.75790	

Bank of Ireland
Balance Sheet

	31 Dec 2015			31 Dec 2014		31 Dec 2013		31 Dec 2012	
	Year End USDm	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets
Assets									
A. Loans									
1. Residential Mortgage Loans	57,599.3	52,905.0	40.40	50,983.0	39.28	51,646.0	39.09	55,028.0	37.19
2. Other Mortgage Loans	14,542.2	13,357.0	10.20	15,219.0	11.72	16,802.0	12.72	19,162.0	12.95
3. Other Consumer/ Retail Loans	3,635.3	3,339.0	2.55	2,954.0	2.28	2,822.0	2.14	3,002.0	2.03
4. Corporate & Commercial Loans	22,835.1	20,974.0	16.02	20,385.0	15.70	21,485.0	16.26	22,973.0	15.53
5. Other Loans	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
6. Less: Reserves for Impaired Loans	6,408.3	5,886.0	4.49	7,423.0	5.72	8,241.0	6.24	7,544.0	5.10
7. Net Loans	**92,203.6**	**84,689.0**	**64.67**	**82,118.0**	**63.27**	**84,514.0**	**63.96**	**92,621.0**	**62.60**
8. Gross Loans	**98,611.9**	**90,575.0**	**69.16**	**89,541.0**	**68.98**	**92,755.0**	**70.20**	**100,165.0**	**67.70**
9. Memo: Impaired Loans included above	10,868.8	9,983.0	7.62	13,398.0	10.32	15,785.0	11.95	16,295.0	11.01
10. Memo: Loans at Fair Value included above	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
B. Other Earning Assets									
1. Loans and Advances to Banks	3,113.8	2,860.0	2.18	3,413.0	2.63	3,264.0	2.47	4,817.0	3.26
2. Reverse Repos and Cash Collateral	163.3	150.0	0.11	27.0	0.02	6,984.0	5.29	10,092.0	6.82
3. Trading Securities and at FV through Income	13,372.9	12,283.0	9.38	11,540.0	8.89	10,558.0	7.99	9,603.0	6.49
4. Derivatives	3,335.9	3,064.0	2.34	3,692.0	2.84	3,492.0	2.64	5,847.0	3.95
5. Available for Sale Securities	11,026.7	10,128.0	7.73	13,580.0	10.46	8,104.0	6.13	4,393.0	2.97
6. Held to Maturity Securities	2,092.5	1,922.0	1.47	n.a.	-	0.0	0.00	0.0	0.00
7. Equity Investments in Associates	151.3	139.0	0.11	289.0	0.22	298.0	0.23	318.0	0.21
8. Other Securities	1,539.5	1,414.0	1.08	2,374.0	1.83	1,157.0	0.88	4,428.0	2.99
9. Total Securities	**31,682.1**	**29,100.0**	**22.22**	**31,502.0**	**24.27**	**30,593.0**	**23.15**	**34,681.0**	**23.44**
10. Memo: Government Securities included Above	12,469.2	11,453.0	8.75	12,831.0	9.89	12,399.0	9.38	11,873.0	8.02
11. Memo: Total Securities Pledged	108.9	100.0	0.08	1,600.0	1.23	6,800.0	5.15	6,700.0	4.53
12. Investments in Property	915.6	841.0	0.64	701.0	0.54	805.0	0.61	848.0	0.57
13. Insurance Assets	n.a.	n.a.	-	1,869.0	1.44	1,520.0	1.15	1,458.0	0.99
14. Other Earning Assets	21.8	20.0	0.02	135.0	0.10	0.0	0.00	0.0	0.00
15. Total Earning Assets	**127,936.9**	**117,510.0**	**89.73**	**119,738.0**	**92.25**	**120,696.0**	**91.34**	**134,425.0**	**90.85**
C. Non-Earning Assets									
1. Cash and Due From Banks	9,216.1	8,465.0	6.46	6,837.0	5.27	8,059.0	6.10	10,213.0	6.90
2. Memo: Mandatory Reserves included above	1,707.1	1,568.0	1.20	1,411.0	1.09	1,311.0	0.99	1,293.0	0.87
3. Foreclosed Real Estate	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
4. Fixed Assets	363.6	334.0	0.26	324.0	0.25	322.0	0.24	333.0	0.23
5. Goodwill	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
6. Other Intangibles	572.7	526.0	0.40	410.0	0.32	374.0	0.28	371.0	0.25
7. Current Tax Assets	14.2	13.0	0.01	11.0	0.01	28.0	0.02	33.0	0.02
8. Deferred Tax Assets	1,581.9	1,453.0	1.11	1,638.0	1.26	1,714.0	1.30	1,640.0	1.11
9. Discontinued Operations	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
10. Other Assets	2,894.9	2,659.0	2.03	842.0	0.65	944.0	0.71	949.0	0.64
11. Total Assets	**142,580.3**	**130,960.0**	**100.00**	**129,800.0**	**100.00**	**132,137.0**	**100.00**	**147,964.0**	**100.00**
Liabilities and Equity									
D. Interest-Bearing Liabilities									
1. Customer Deposits - Current	51,712.6	47,498.0	36.27	41,104.0	31.67	36,811.0	27.86	32,852.0	22.20
2. Customer Deposits - Savings	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
3. Customer Deposits - Term	35,532.9	32,637.0	24.92	33,133.0	25.53	37,056.0	28.04	42,318.0	28.60
4. Total Customer Deposits	**87,245.5**	**80,135.0**	**61.19**	**74,237.0**	**57.19**	**73,867.0**	**55.90**	**75,170.0**	**50.80**
5. Deposits from Banks	618.4	568.0	0.43	735.0	0.57	1,827.0	1.38	2,086.0	1.41
6. Repos and Cash Collateral	660.9	607.0	0.46	3,401.0	2.62	10,533.0	7.97	20,056.0	13.55
7. Commercial Paper and Short-term Borrowings	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
8. Total Money Market and Short-term Funding	**88,524.8**	**81,310.0**	**62.09**	**78,373.0**	**60.38**	**86,227.0**	**65.26**	**97,312.0**	**65.77**
9. Senior Unsecured Debt (original maturity > 1 year)	14,467.1	13,288.0	10.15	16,738.0	12.90	15,280.0	11.56	17,324.0	11.71
10. Subordinated Borrowing	2,460.5	2,260.0	1.73	2,329.0	1.79	1,513.0	1.15	1,542.0	1.04
11. Covered Bonds	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
12. Other Long-term Funding	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
13. Total LT Funding (original maturity > 1 year)	**16,927.6**	**15,548.0**	**11.87**	**19,067.0**	**14.69**	**16,793.0**	**12.71**	**18,866.0**	**12.75**
14. Derivatives	3,940.1	3,619.0	2.76	4,038.0	3.11	3,228.0	2.44	5,274.0	3.56
15. Trading Liabilities	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
16. Total Funding	**109,392.5**	**100,477.0**	**76.72**	**101,478.0**	**78.18**	**106,248.0**	**80.41**	**121,452.0**	**82.08**
E. Non-Interest Bearing Liabilities									
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
3. Reserves for Pensions and Other	927.6	852.0	0.65	1,077.0	0.83	935.0	0.71	1,196.0	0.81
4. Current Tax Liabilities	38.1	35.0	0.03	30.0	0.02	28.0	0.02	23.0	0.02
5. Deferred Tax Liabilities	74.0	68.0	0.05	71.0	0.05	92.0	0.07	92.0	0.06
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
7. Discontinued Operations	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
8. Insurance Liabilities	11,326.1	10,403.0	7.94	9,918.0	7.64	8,502.0	6.43	7,988.0	5.40
9. Other Liabilities	10,704.4	9,832.0	7.51	8,308.0	6.40	8,301.0	6.28	8,393.0	5.67
10. Total Liabilities	**132,462.7**	**121,667.0**	**92.90**	**120,882.0**	**93.13**	**124,106.0**	**93.92**	**139,144.0**	**94.04**
F. Hybrid Capital									
1. Pref. Shares and Hybrid Capital accounted for as Debt	196.0	180.0	0.14	171.0	0.13	162.0	0.12	165.0	0.11
2. Pref. Shares and Hybrid Capital accounted for as Equity	805.7	740.0	0.57	1,300.0	1.00	1,300.0	0.98	1,837.0	1.24
G. Equity									
1. Common Equity	8,658.7	7,953.0	6.07	7,173.0	5.53	6,861.0	5.19	7,157.0	4.84
2. Non-controlling Interest	1.1	1.0	0.00	(6.0)	(0.00)	(6.0)	(0.00)	(2.0)	(0.00)
3. Securities Revaluation Reserves	565.1	519.0	0.40	600.0	0.46	467.0	0.35	150.0	0.10
4. Foreign Exchange Revaluation Reserves	(301.6)	(277.0)	(0.21)	(532.0)	(0.41)	(807.0)	(0.61)	(726.0)	(0.49)
5. Fixed Asset Revaluations and Other Accumulated OCI	192.7	177.0	0.14	212.0	0.16	54.0	0.04	239.0	0.16
6. Total Equity	**9,115.9**	**8,373.0**	**6.39**	**7,447.0**	**5.74**	**6,569.0**	**4.97**	**6,818.0**	**4.61**
7. Total Liabilities and Equity	**142,580.3**	**130,960.0**	**100.00**	**129,800.0**	**100.00**	**132,137.0**	**100.00**	**147,964.0**	**100.00**
8. Memo: Fitch Core Capital	6,327.7	5,812.0	4.44	4,907.0	3.78	3,823.0	2.89	4,205.0	2.84
9. Memo: Fitch Eligible Capital	6,730.5	6,182.0	4.72	4,907.0	3.78	4,473.0	3.39	5,123.5	3.46
Exchange rate	USD1 = EUR0.91850			USD1 = EUR0.82370		USD1 = EUR0.72510		USD1 = EUR0.75790	

Bank of Ireland
Summary Analytics

	31 Dec 2015 Year End	31 Dec 2014 Year End	31 Dec 2013 Year End	31 Dec 2012 Year End
A. Interest Ratios				
1. Interest Income on Loans/ Average Gross Loans	3.16	3.18	3.56	3.38
2. Interest Expense on Customer Deposits/ Average Customer Deposits	0.60	0.89	1.45	2.28
3. Interest Income/ Average Earning Assets	2.76	2.87	3.20	3.03
4. Interest Expense/ Average Interest-bearing Liabilities	0.82	1.07	1.86	2.39
5. Net Interest Income/ Average Earning Assets	2.07	1.95	1.75	1.09
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	1.82	1.49	0.30	(0.21)
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Asset	1.85	1.83	1.54	0.95
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	25.45	21.53	20.25	12.77
2. Non-Interest Expense/ Gross Revenues	55.42	54.54	51.89	98.67
3. Non-Interest Expense/ Average Assets	1.40	1.24	0.96	1.07
4. Pre-impairment Op. Profit/ Average Equity	18.88	20.63	15.42	0.74
5. Pre-impairment Op. Profit/ Average Total Assets	1.16	1.10	0.91	0.04
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	19.55	32.71	133.95	2,601.47
7. Operating Profit/ Average Equity	15.19	13.88	(5.24)	(18.56)
8. Operating Profit/ Average Total Assets	0.93	0.74	(0.31)	(1.11)
9. Operating Profit / Risk Weighted Assets	2.29	1.88	(0.75)	(3.01)
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	11.81	11.24	(6.08)	(20.09)
2. Net Income/ Average Total Assets	0.72	0.60	(0.36)	(1.21)
3. Fitch Comprehensive Income/ Average Total Equity	14.69	14.31	(6.85)	(15.91)
4. Fitch Comprehensive Income/ Average Total Assets	0.90	0.76	(0.40)	(0.96)
5. Taxes/ Pre-tax Profit	23.13	14.57	6.67	15.47
6. Net Income/ Risk Weighted Assets	1.78	1.52	(0.87)	(3.26)
D. Capitalization				
1. Fitch Core Capital/ Risk Weighted Assets	10.90	9.51	6.78	7.44
2. Fitch Eligible Capital/ Risk Weighted Assets	11.60	9.51	7.93	9.07
3. Tangible Common Equity/ Tangible Assets	5.01	4.28	3.51	3.35
4. Tier 1 Regulatory Capital Ratio	14.80	14.90	12.40	13.90
5. Total Regulatory Capital Ratio	18.00	18.30	13.60	15.30
6. Core Tier 1 Regulatory Capital Ratio	13.30	14.80	12.20	13.80
7. Equity/ Total Assets	6.39	5.74	4.97	4.61
8. Cash Dividends Paid & Declared/ Net Income	27.14	17.94	(48.98)	(10.65)
9. Internal Capital Generation	8.24	8.66	(11.11)	(29.88)
E. Loan Quality				
1. Growth of Total Assets	0.89	(1.77)	(10.70)	(4.47)
2. Growth of Gross Loans	1.15	(3.47)	(7.40)	(5.20)
3. Impaired Loans/ Gross Loans	11.02	14.96	17.02	16.27
4. Reserves for Impaired Loans/ Gross Loans	6.50	8.29	8.88	7.53
5. Reserves for Impaired Loans/ Impaired Loans	58.96	55.40	52.21	46.30
6. Impaired loans less Reserves for Impaired Loans/ Fitch Core Capital	70.49	121.76	197.33	208.11
7. Impaired Loans less Reserves for Impaired Loans/ Equity	48.93	80.23	114.84	128.35
8. Loan Impairment Charges/ Average Gross Loans	0.33	0.59	1.90	1.75
9. Net Charge-offs/ Average Gross Loans	n.a.	0.00	n.a.	n.a.
10. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Ass	11.02	14.96	17.02	16.27
F. Funding and Liquidity				
1. Loans/ Customer Deposits	113.03	120.62	125.57	133.25
2. Interbank Assets/ Interbank Liabilities	503.52	464.35	178.65	230.92
3. Customer Deposits/ Total Funding (excluding derivatives)	82.73	76.19	71.70	64.70
4. Liquidity Coverage Ratio	n.a.	n.a.	n.a.	n.a.
5. Net Stable Funding Ratio	n.a.	n.a.	n.a.	n.a.

Bank of Ireland
Reference Data

	31 Dec 2015			31 Dec 2014		31 Dec 2013		31 Dec 2012	
	Year End USDm	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets
A. Off-Balance Sheet Items									
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
3. Guarantees	675.0	620.0	0.47	698.0	0.54	819.0	0.62	742.0	0.50
4. Acceptances and documentary credits reported off-balance sheet	10.9	10.0	0.01	12.0	0.01	9.0	0.01	9.0	0.01
5. Committed Credit Lines	16,555.3	15,206.0	11.61	17,644.0	13.59	15,892.0	12.03	16,579.0	11.20
6. Other Contingent Liabilities	436.6	401.0	0.31	199.0	0.15	327.0	0.25	349.0	0.24
7. Total Assets under Management	n.a.	n.a.	-	n.a.	-	149,184.0	112.90	165,643.0	111.95
B. Average Balance Sheet									
Average Loans	98,888.4	90,829.0	69.36	91,289.0	70.33	87,832.0	66.47	98,629.0	66.66
Average Earning Assets	129,404.8	118,858.3	90.76	119,897.0	92.37	114,759.0	86.85	132,291.0	89.41
Average Assets	142,337.5	130,737.0	99.83	130,962.3	100.90	136,580.0	103.36	152,576.0	103.12
Average Managed Securitized Assets (OBS)	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
Average Interest-Bearing Liabilities	109,973.5	101,010.7	77.13	103,873.3	80.03	89,414.0	67.67	107,101.0	72.38
Average Common equity	8,332.1	7,653.0	5.84	6,975.0	5.37	6,886.3	5.21	8,401.3	5.68
Average Equity	8,731.6	8,020.0	6.12	6,995.0	5.39	8,060.0	6.10	9,163.0	6.19
Average Customer Deposits	84,688.1	77,786.0	59.40	73,903.3	56.94	73,272.0	55.45	72,706.0	49.14
C. Maturities									
Asset Maturities:									
Loans & Advances < 3 months	10,935.2	10,044.0	7.67	13,166.0	10.14	13,742.0	10.40	13,871.0	9.37
Loans & Advances 3 - 12 Months	8,558.5	7,861.0	6.00	5,735.0	4.42	6,098.0	4.61	7,344.0	4.96
Loans and Advances 1 - 5 Years	29,794.2	27,366.0	20.90	23,486.0	18.09	24,147.0	18.27	24,783.0	16.75
Loans & Advances > 5 years	49,323.9	45,304.0	34.59	47,154.0	36.33	48,768.0	36.91	54,167.0	36.61
Debt Securities < 3 Months	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
Debt Securities 3 - 12 Months	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
Debt Securities 1 - 5 Years	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
Debt Securities > 5 Years	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
Loans & Advances to Banks < 3 Months	2,635.8	2,421.0	1.85	3,028.0	2.33	2,981.0	2.26	1,433.0	0.97
Loans & Advances to Banks 3 - 12 Months	475.8	437.0	0.33	381.0	0.29	254.0	0.19	3,329.0	2.25
Loans & Advances to Banks 1 - 5 Years	n.a.	n.a.	-	n.a.	-	25.0	0.02	7.0	0.00
Loans & Advances to Banks > 5 Years	2.2	2.0	0.00	4.0	0.00	4.0	0.00	48.0	0.03
Liability Maturities:									
Retail Deposits < 3 months	72,361.5	66,464.0	50.75	58,649.0	45.18	60,477.0	45.77	67,381.0	45.54
Retail Deposits 3 - 12 Months	10,079.5	9,258.0	7.07	9,741.0	7.50	9,135.0	6.91	5,187.0	3.51
Retail Deposits 1 - 5 Years	4,400.7	4,042.0	3.09	5,600.0	4.31	4,085.0	3.09	2,521.0	1.70
Retail Deposits > 5 Years	403.9	371.0	0.28	247.0	0.19	170.0	0.13	81.0	0.05
Other Deposits < 3 Months	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
Other Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
Other Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
Other Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
Deposits from Banks < 3 Months	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
Deposits from Banks 3 - 12 Months	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
Deposits from Banks 1 - 5 Years	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
Deposits from Banks > 5 Years	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
Senior Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
Senior Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
Senior Debt Maturing 1- 5 Years	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
Senior Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
Total Senior Debt on Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Fair Value Portion of Senior Debt	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
Subordinated Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
Subordinated Debt Maturing 3-12 Months	1,067.0	980.0	0.75	70.0	0.05	0.0	0.00	0.0	0.00
Subordinated Debt Maturing 1- 5 Year	789.3	725.0	0.55	1,005.0	0.77	1,041.0	0.79	1,051.0	0.71
Subordinated Debt Maturing > 5 Years	604.2	555.0	0.42	1,254.0	0.97	472.0	0.36	491.0	0.33
Total Subordinated Debt on Balance Sheet	2,460.5	2,260.0	1.73	2,329.0	1.79	1,513.0	1.15	1,542.0	1.04
Fair Value Portion of Subordinated Debt	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
D. Risk Weighted Assets									
1. Risk Weighted Assets	58,029.4	53,300.0	40.70	51,600.0	39.75	56,400.0	42.68	56,500.0	38.18
2. Fitch Adjustments to Risk Weighted Assets	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
3. Fitch Adjusted Risk Weighted Assets	58,029.4	53,300.0	40.70	51,600.0	39.75	56,400.0	42.68	56,500.0	38.18
E. Equity Reconciliation									
1. Equity	9,115.9	8,373.0	6.39	7,447.0	5.74	6,569.0	4.97	6,818.0	4.61
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	805.7	740.0	0.57	1,300.0	1.00	1,300.0	0.98	1,837.0	1.24
3. Add: Other Adjustments	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
4. Published Equity	9,921.6	9,113.0	6.96	8,747.0	6.74	7,869.0	5.96	8,655.0	5.85
F. Fitch Eligible Capital Reconciliation									
1. Total Equity as reported (including non-controlling interests)	9,115.9	8,373.0	6.39	7,447.0	5.74	6,569.0	4.97	6,818.0	4.61
2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC only	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
3. Non-loss-absorbing non-controlling interests	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
4. Goodwill	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
5. Other intangibles	572.7	526.0	0.40	410.0	0.32	374.0	0.28	371.0	0.25
6. Deferred tax assets deduction	1,507.9	1,385.0	1.06	1,567.0	1.21	1,622.0	1.23	1,548.0	1.05
7. Net asset value of insurance subsidiaries	707.7	650.0	0.50	563.0	0.43	750.0	0.57	694.0	0.47
8. First loss tranches of off-balance sheet securitizations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
9. Fitch Core Capital	**6,327.7**	**5,812.0**	**4.44**	**4,907.0**	**3.78**	**3,823.0**	**2.89**	**4,205.0**	**2.84**
10. Eligible weighted Hybrid capital	402.8	370.0	0.28	0.0	0.00	650.0	0.49	918.5	0.62
11. Government held Hybrid Capital	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
12. Fitch Eligible Capital	**6,730.5**	**6,182.0**	**4.72**	**4,907.0**	**3.78**	**4,473.0**	**3.39**	**5,123.5**	**3.46**

Exchange Rate	USD1 = EUR0.91850	USD1 = EUR0.82370	USD1 = EUR0.72510	USD1 = EUR0.75790

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