Bank of Ireland (UK) plc

Pillar 3 Disclosures

2017

Bank of Ireland UK

The Partnership Bank

Bank of Ireland (UK) plc
Pillar 3 Disclosures

for the year ended 31 December 2017

Company Number: 07022885

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Percentages throughout the document are calculated on the absolute underlying figures and so may differ from the percentages calculated on the rounded numbers presented.

Pillar 3 overview

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Key highlights

Table 1.1- KM1: Key metrics	2017 £m	2016 £m
Available capital		
Common equity tier 1 (CET 1)	1,508	1,552
Tier 1	1,808	1,852
Total Capital	2,098	2,187
Risk weighted assets (RWA)		
Total RWA	10,231	10,034
Risk weighted capital ratios as a % of RWA		
Common equity tier 1 ratio (%)	14.7%	15.5%
Tier 1 ratio (%)	17.7%	18.4%
Total capital ratio (%)	20.5%	21.8%
Additional CET 1 buffer requirememts as a % of RWA		
Capital conservation buffer requirement (%)	1.25%	0.625%
Countercyclical buffer requirement (%)	0.0%	0.0%
Total of bank CET 1 specific buffer requirements (%)	1.25%	0.625%
CET 1 available after meeting the bank's minimum capital requirements(%)	10.2%	11.0%
Basel III leverage ratio		
Total Basel III leverage ratio exposure measure	27,260	26,985
Basel III leverage ratio (%)	6.6%	6.9%

Key metrics - Fully Loaded

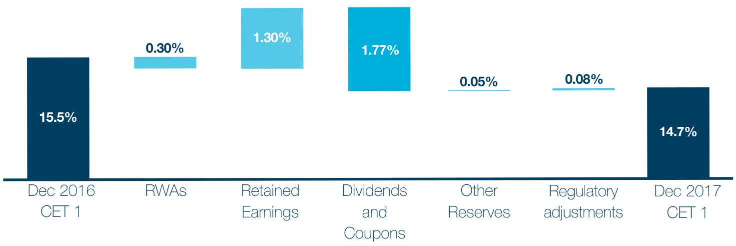
CET 1 ratio
14.7%
Dec 2016: 15.5%

Total capital ratio
20.5%
Dec 2016: 21.8%

Total RWA
£10.2bn
Dec 2016: £10.0bn

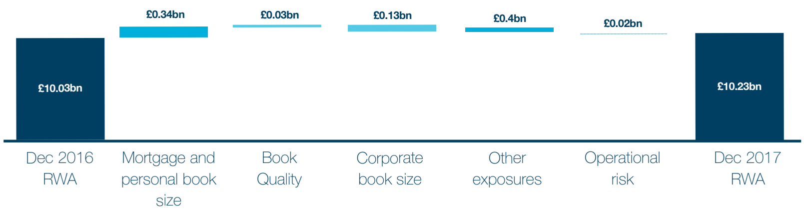
Leverage ratio
6.6%
Dec 2016: 6.9%

CET 1 ratio movement

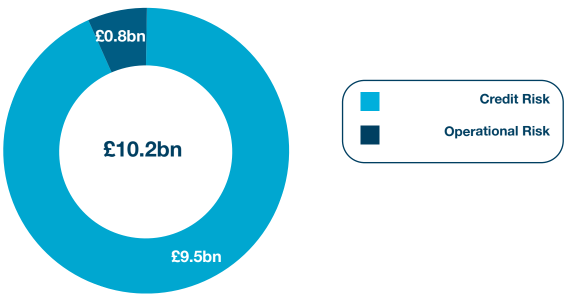


Key metrics - Lending Book Analysis

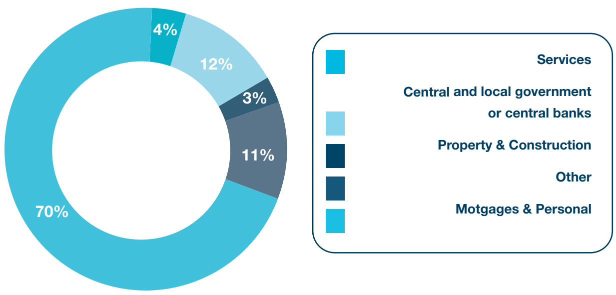
RWA movement



Total risk weighted assets - 2017



Industry Analysis of exposures - 2017



Introduction

Bank of Ireland (UK) plc, the 'Bank', is the principal operating subsidiary of the Bank of Ireland Group in the UK. The Bank and its holding in NIIB Group Limited, First Rate Exchange Services Holdings Limited, Bank of Ireland Trustee Limited, Midasgrange Limited and Bowbell No. 1 plc are hereinafter referred to as the 'Group' throughout this document.

The Capital Requirements Directive IV (CRD IV) and the Capital Requirements Regulation (CRR) were published in the Official Journal of the EU on 27 June 2013. The CRR had direct effect in EU member states while the CRD IV was required to be implemented through national legislation in EU member states by 31 December 2013.

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

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, credit risk and leverage.

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 UK legislation and in accordance with the Group's Pillar 3 Disclosure Policy.

The Group is required to comply with the CRD IV disclosure requirements at 31 December 2017. For ease of reference, the requirements are referred to as 'Pillar 3' in this document. Pillar 3 contains both qualitative and quantitative disclosure requirements.

In December 2016, the European Banking Authority (EBA) published final guidelines on revised Pillar 3 disclosure requirements to improve and enhance the consistency and comparability of institutions' disclosures. These guidelines apply from 31 December 2017, and the Group's disclosures have been prepared in accordance with these guidelines.

The Group's Pillar 3 document is a technical paper which should be read in conjunction with the Bank of Ireland (UK) plc Annual Report for the year ended 31 December 2017 (hereinafter referred to as the 'Group's Annual Report'). The Group's Annual Report contains some Pillar 3 qualitative and quantitative information and together both documents comprehensively portray the Group's risk profile.

The Group's qualitative disclosure requirements are largely addressed in the Strategic Report and Risk Management Report of the Group's Annual Report. This document contains the Group's Pillar 3 quantitative disclosure requirements and the remainder of the qualitative disclosure requirements not included in the Group's Annual Report.

Frequency
CRD IV and EBA guidelines require the Group disclose information at a minimum 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 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 review by the Executive Risk Committee and final approval by the Audit Committee.

Media
Copies of the Group's Annual Report, along with the Group's Pillar 3 Disclosures can be obtained from the Group's website at www.bankofirelanduk.com. The Bank of Ireland Group's Pillar 3 Disclosures can be obtained from the website at www.bankofireland.com and provides a comprehensive and consolidated view of risk exposures for the full Bank of Ireland Group, thereby complementing this disclosure document.

Areas covered

The Group complied with the capital regulations, as set out in CRD IV and CRR and supported by EBA Regulatory Technical Standards (RTS) and Prudential Regulation Authority (PRA) Policy statements throughout the year.

As a significant subsidiary of the Bank of Ireland Group, in accordance with the reporting requirements included in Article 13 (1) of Regulation (EU) No.575/2013, this Pillar 3 disclosure document specifically covers own funds, capital requirements, capital buffers, credit risk adjustments, remuneration policy, leverage and use of credit risk mitigation techniques.

Some of the areas covered are also dealt with in the Group's Annual Report and cross referencing to relevant sections in that document is provided in Appendix IV.

It should be noted that while some quantitative information in this document is based on financial data contained in the Group's Annual Report, 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 EAD or net value) which is defined in the glossary, unlike financial statement information, includes potential future drawings of committed credit lines as well as other technical differences. Therefore Pillar 3 quantitative data is not always directly comparable with the quantitative data contained in the Group's Annual Report. Some details of the key differences between the Group's accounting and regulatory exposures are set out in Table 1.4.

CRD IV Developments

CRD IV includes requirements for regulatory and technical standards to be published by the EBA. CRD IV continues to evolve through amendments to current regulations and the adoption of new technical standards. On 23 November 2016, the European Commission (EC) published a set of legislative proposals, including amendments of the existing CRD and the Capital Requirements Regulation (CRR), as well as the related EU Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism (SRM) Regulation. The proposed changes are expected to start entering into force in 2019 at the earliest.

In December 2017, the Basel Committee announced revisions of the Basel Framework. The revisions focus on standardised and internal ratings based (IRB) approaches to measuring credit risk and the introduction of an aggregate output floor to ensure banks' RWAs calculated via internal models are no lower than 72.5% of RWAs calculated under the standardised approach. The revised standards will take effect from 1 January 2022, with a phase-in period of five years for the aggregate output floor. The Group is currently assessing the impact of these revisions although any impact will depend on the implementation at EU level.

The Group actively monitors these developments and seeks to effectively comply with the new requirements when finalised.

IFRS 9

IFRS 9 is an accounting standard which became effective on 1 January 2018. Its forward-looking expected credit losses (ECL) approach resulted in higher impairment provisions on transition to IFRS 9 and may lead to more volatile impairment charges with a consequent impact on earnings and capital ratios. The estimated initial impact of IFRS 9 on capital has been incorporated into the Group's financial planning. The Group retains sufficient buffers in excess of regulatory capital requirements.
The Group has estimated that the quantitative impact from initial adoption of IFRS 9 on 1 January 2018 will reduce the fully loaded CET 1 ratio by c.30 basis points.

The Group has elected to apply the transitional arrangements for mitigating the impact of IFRS 9 on regulatory capital as outlined in the amended Capital Requirements Regulation. This will result in minimal impact from initial adoption and partially mitigate future impacts in the period to 2022. This will involve a capital add back of a portion of the increase in impairment loss allowance on transition to IFRS 9 and also any subsequent increase in the stage 1 and 2 loss allowance at future reporting dates. The transition period is five years, with a 95% add back in 2018 and 85%, 70%, 50% and 25% in subsequent years. Further information on IFRS 9 is contained in section 2.1.9 of the Risk Management section in the Annual Report.

Supervision

The Group is authorised and regulated by the PRA and regulated by the Financial Conduct Authority (FCA).

Preparation and basis of consolidation

The Group's Pillar 3 disclosures are presented on a consolidated basis for the year ended 31 December 2017. Not all legal entities within the Group are within the scope of Pillar 3 as set out in Table 1.2 below. The disclosures throughout this document are based on the regulatory consolidated group.

Table 1.2 - Basis of consolidation

Name	Method of accounting consolidation	Method of regulatory consolidation: Full consolidation	Method of regulatory consolidation: Neither consolidated nor deducted	Description of the entity
Bank of Ireland (UK) plc	Full consolidation	X		Credit institution
NIIB Group Ltd	Full consolidation	X		Financial corporation
Bank of Ireland Personal Finance Ltd	Full consolidation	X		Financial corporation
Marshall Leasing Ltd	Full consolidation		X	Non-financial corporation
Gate Contract Hire Ltd	Full consolidation		X	Dormant company
First Rate Exchange Services[2]	Joint Venture - equity Accounted		X	Joint Venture - Financial corporation
Bank of Ireland Trustee Company Ltd[2]	Full consolidation		X	Immaterial Financial corporation
Midasgrange Ltd[2]	Full consolidation		X	Dormant company
Bowbell No. 1 plc	Full consolidation		X	Special purpose entity

As at 31 December 2017, the Group consisted of Bank of Ireland (UK) plc (the 'Bank') and its share of the following entities:

- 100% of NIIB Group Limited (NIIB)[1] – an asset finance and consumer lending company, trading as Northridge Finance. On 15 September 2017, Northridge Finance Limited, a dormant subsidiary of NIIB, entered member's voluntary liquidation.
- On 24 November 2017, NIIB Group Limited acquired 100% of the ordinary share capital of Marshall Leasing Limited from the entity's parent company, Marshall Motor Holdings plc. Marshall Leasing Limited is a car and commercial vehicle leasing and fleet management company based in Cambridge in the United Kingdom. Marshall Leasing Limited owns 100% of the ordinary share capital of Gates Contract Hire Limited, which is a dormant company.
- 50% of First Rate Exchange Services Holdings Limited (FRESH), a joint venture, which, via its wholly owned subsidiary, First Rate Exchange Services Limited (FRES), is a wholesale and retail provider of foreign exchange with retail distribution primarily via the Post Office.
- 100% of Bank of Ireland Trustee Company Limited - this company ceased trading in February 2014.
- 100% of Midasgrange Limited - this company traded as Post Office Financial Services until 3 September 2012 when the trade, assets and liabilities transferred to the Bank.
- Bowbell No. 1 plc (Bowbell) - an entity which acquires mortgage loans and issues mortgage backed securities. The Bank does not own more than half the voting power in the company but it is deemed a subsidiary in accordance with IFRS 10.

The Bank is a public limited company incorporated in England and Wales and domiciled in the UK.

The Group is regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).

The Group's immediate parent is the Governor and Company of the Bank of Ireland (the 'Parent').

[1] *Includes the entities NIIB Group Ltd, Marshall Leasing Ltd, Bank of Ireland Personal Finance Ltd and Gate Contract Hire Ltd.*
[2] *Held at cost and risk weighted at 100%.*

Distinction between Pillar 3 and IFRS disclosure

Table 1.3 provides a reconciliation of the Group's consolidated balance sheet as at 31 December 2017 on a statutory accounting basis (as presented on page 80 of the Group's Annual Report) to the Group's consolidated balance sheet under the regulatory scope of consolidation.

Table 1.3 - LI1 - Differences between accounting and regulatory scope of consolidation

				Carrying value of items				
2017 Balance sheet category	**Carrying values as reported in published financial statements £m**	**Difference in the basis of consolidation for accounting and prudential purposes £m**	**Carrying values under scope of regulatory consolidation £m**	**Subject to to the credit risk framework £m**	**Subject to to the CCR framework £m**	**Subject to the securitisation framework £m**	**Subject to the market risk framework £m**	**Not subject to capital requirements or subject to deduction from capital £m**
Assets								
Cash and balances at central banks	1,836	-	1,836	1,836	-	-	-	-
Items in the course of collection from other banks	192	-	192	192	-	-	-	-
Derivative financial instruments	27	-	27	-	27	-	-	-
Available for sale financial assets	1,008	-	1,008	1,008	-	-	-	-
Loans and advances to customers and banks	22,761	65	22,826	22,826	-	-	-	-
Interest in joint venture	61	(59)	2	2	-	-	-	-
Interest in subsidiaries	-	43	43	43	-	-	-	-
Intangible assets	61	(41)	20	20	-	-	-	-
Property, plant and equipment	104	(81)	23	23	-	-	-	-
Deferred tax assets	71	(2)	69	69	-	-	-	-
Other assets	106	(3)	103	103	-	-	-	-
Retirement benefit asset	8	-	8	-	-	-	-	8
Total assets	**26,235**	**(78)**	**26,157**	**26,122**	**27**	**-**	**-**	**8**

Distinction between Pillar 3 and IFRS disclosure (continued)

Table 1.3 - LI1 - Differences between accounting and regulatory scope of consolidation (continued)

2017 Balance Sheet Category	Carrying values as reported in published financial statements £m	Difference in the basis of consolidation for accounting and prudential purposes £m	Carrying values under scope of regulatory consolidation £m	Carrying value of items: Subject to to the credit risk framework £m	Subject to to the CCR framework £m	Subject to the securitisation framework £m	Subject to the market risk framework £m	Not subject to capital requirements or subject to deduction from capital £m
Equity and liabilities								
Deposits from banks	3,561	(1)	3,560	-	-	-	-	3,560
Customer accounts	18,961	-	18,961	-	-	-	-	18,961
Items in the course of transmission to other banks	108	-	108	-	-	-	-	108
Derivative financial instruments	65	-	65	-	65	-	-	-
Other liabilities	1,233	(8)	1,225	-	-	-	-	1,225
Current tax liability	5	(1)	4	-	-	-	-	4
Provisions	13	-	13	-	-	-	-	13
Subordinated liabilities	290	-	290	-	-	-	-	290
Total liabilities	**24,236**	**(10)**	**24,226**	**-**	**65**	**-**	**-**	**24,161**
Equity								
Share capital	851	-	851	-	-	-	-	851
Retained earnings	254	(68)	186	-	-	-	-	186
Other reserves	594	-	594	-	-	-	-	594
Other equity instruments	300	-	300	-	-	-	-	300
Total equity	**1,999**	**(68)**	**1,931**	**-**	**-**	**-**	**-**	**1,931**
Total equity and liabilities	**26,235**	**(78)**	**26,157**	**-**	**65**	**-**	**-**	**26,092**

Distinction between Pillar 3 and IFRS disclosure (continued)

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 exposure in default (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) and those compiled using CRD IV methodologies. The specific methodology used is indicated before each table where applicable.

Many tables throughout the Group's Pillar 3 disclosures are based on net value of exposure.

Table 1.4 provides a reconciliation of the consolidated regulatory balance sheet to EAD for items subject to credit risk or counterparty credit risk.

Table 1.4 - Reconciliation between regulatory exposure amounts and carrying values in the financial statements

		Items subject to			
	Total £m	**Credit risk framework £m**	**CCR framework £m**	**Securitisation framework £m**	**Market risk framework £m**
Assets carrying value amount under the scope of regulatory consolidation	**26,149**	**26,122**	**27**	**-**	**-**
Liabilities carrying value amount under the scope of regulatory consolidation	65	-	65	-	-
Total net amount under the scope of regulatory consolidation	26,084	26,122	(38)	-	-
Off balance sheet amounts	286	286	-	-	-
Differences in valuations	-	-	-	-	-
Differences due to different netting rules	(1,434)	(1,434)	-	-	-
Difference due to consideration of provisions	-	-	-	-	-
Differences due to prudential filters	-	-	-	-	-
Other	129	129	-	-	-
Exposure amounts considered for regulatory purposes	**25,065**	**25,103**	**(38)**	**-**	**-**

Capital

Capital management

Key points:

- At all times during the financial year the Group maintained appropriate capital resources in line with regulatory requirements.
- Common equity tier 1 (CET 1) ratio is 14.7% at 31 December 2017 under both the CRD IV transitional and fully loaded basis.
- The Group will be required from 1 January 2018 to hold CET 1 capital requirements of 8.5% comprising:
  - Pillar 1 4.5%, Pillar 2 2.1% and an additional 1.875% Capital Conservation Buffer.
- Sustained strong capital position enabled the payment of an equity dividend of £160 million to the Parent in October 2017 and repayment of £45 million subordinate debt in December 2017.
- The leverage ratio is 6.6% at 31 December 2017 under both the CRD IV transitional and fully loaded basis.

Capital adequacy risk
Capital adequacy risk is the risk that the Group holds insufficient capital to absorb extreme and unexpected losses, which could eventually result in the Group not being able to continue operating.

Capital management objectives and policies
The Group manages its capital position to ensure that it has sufficient capital to cover the risks of its business, support its strategy and to comply at all times with regulatory capital requirements.

Capital adequacy and its effective management is critical to the Group's ability to operate its businesses, grow organically and pursue its strategy. The Group's business and financial condition could be adversely affected if it is not able to manage its capital effectively or if the amount or quality of capital held is insufficient. This could arise in the case of a materially worse than expected financial performance (including, for example, reductions in profits and retained earnings as a result of impairment losses or write downs, increases in RWA and delays in the disposal of certain assets as a result of market conditions).

Capital requirements and capital resources
The Group complied with all its regulatory capital requirements throughout 2017.

The Group manages its capital resources to ensure that the overall amount and quality of resources exceeds the Group's capital requirements. Capital requirements are determined by the CRD IV, the CRR and firm specific requirements imposed by the PRA. The CRR minimum requirements are typically driven by credit risk, market risk and operational risk, and also require stress-absorbing buffers.

Additional firm-specific buffers reflect the PRA's view of the systemic importance of a bank and also internal capital adequacy which is determined by internal stress testing as part of the Internal Capital Adequacy Assessment Process (ICAAP).

Capital management reporting
The Group monitors and reports the capital position daily, monthly and quarterly. Reporting includes a suite of early warning triggers and measurement against risk appetite and is reviewed by the Prudential Risk team, the Capital Management Forum and the Assets and Liabilities Committee. The capital management information is also reviewed by the Executive Risk Committee, the Board Risk Committee and the Board.

Capital adequacy
The ICAAP is carried out by the Group on an annual basis in line with Pillar 2 requirements. This process facilitates the Board and senior management in adequately identifying, measuring and monitoring the Group's risk profile. 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. Underpinning the ICAAP process, the Group prepares detailed financial projections.

Stress testing provides a key input to the Group's capital assessments and related risk management and measurement assumptions. The Group also uses stress testing as a key risk management tool to gain a better understanding of its risk profile and its resilience to internal and external shocks.

The ICAAP is a key process embedded in the Group's planning cycle and ensures that:

- the Board 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;
- the quality and quantity of financial resources the Group holds in respect of capital resources to meet its internal and CRD IV regulatory capital, leverage and liquidity requirements; and
- the Group holds adequate capital to support its strategic business objectives on a current and projected basis under base and stress scenarios.

The ICAAP is approved annually by the Board and reviewed by the PRA and the SSM on a periodic basis.

The Group also undertakes reverse stress testing on an annual basis which informs, enhances and integrates with the stress testing framework by considering extreme events that could cause the Group to fail. This testing also improves risk identification and risk management and the results are also approved by the Board, as part of the Group's ICAAP.

The Group's capital planning process includes a review of the Group's expected capital position which is reviewed and challenged on a monthly basis by senior management.

The Group's capital plan (which is approved at least annually by the Board) also includes sensitivities to ensure the continued resilience of the underlying assumptions under adverse conditions and changes to the regulatory landscape.

Capital requirements / risk weighted assets

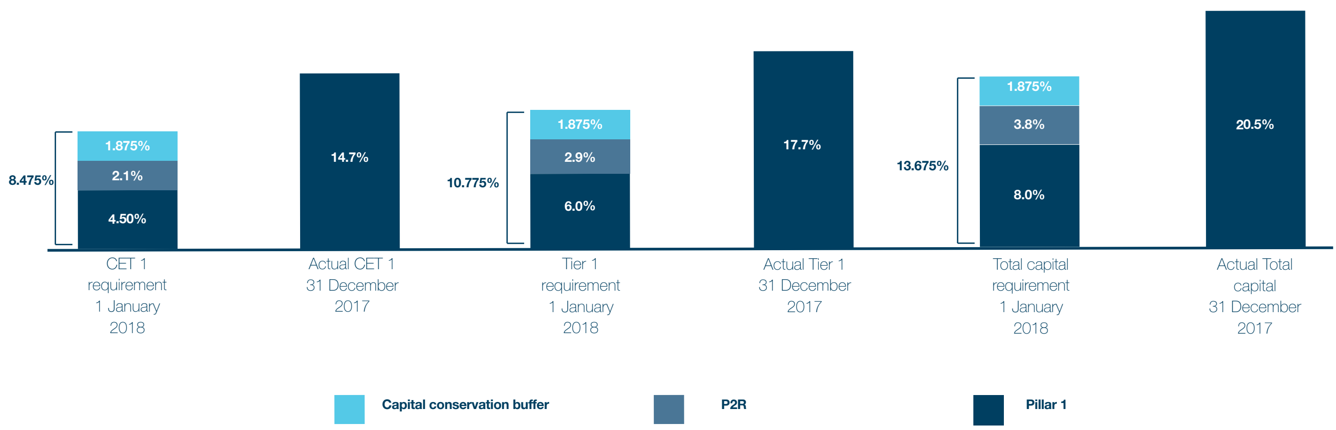
Table 2.1 summarises RWA and minimum capital requirements by risk type. Minimum capital requirement is calculated at 8% of RWA.

Table 2.1 - EU OV1 - Overview of RWAs

	RWA		Minimum capital requirements
	2017 £m	2016 £m	**2017 £m**
1. Credit Risk (excluding CCR)	**9,451**	**9,230**	**756**
of which;			
2. the Standardised approach	*9,451*	*9,230*	*756*
3. the foundation IRB (FIRB) approach	-	-	-
4. the advanced IRB (AIRB) approach	-	-	-
5. equity IRB under the simple risk-weighted approach or the IMA	-	-	-
6. CCR	**24**	**25**	**2**
of which;			
7. mark-to-market	-	-	-
8. original exposure	-	-	-
9. the Standardised approach	-	-	-
10. internal model method (IMM)	-	-	-
11. risk exposure amount for contributions to the default fund of a CCP	-	-	-
12. CVA	-	-	-
13. Settlement risk	**-**	**-**	**-**
14. Securitisation exposures in the banking book (after the cap)	**-**	**-**	**-**
of which;			
15. IRB approach	-	-	-
16. IRB supervisory formula approach (SFA)	-	-	-
17. internal assessmennt approach (IAA)	-	-	-
18. standardised approach	-	-	-
19. Market risk	**-**	**-**	**-**
of which;			
20. the standardised approach	-	-	-
21. IMA	-	-	-
22. Large exposures	**-**	**-**	**-**
23. Operational risk	**756**	**779**	**60**
of which;			
24. basic indicator approach	-	-	-
25. standardised approach	-	-	-
26. advanced measurement approach	-	-	-
27. Amounts below the thresholds for deduction (subject to 250% risk weight)	**-**	**-**	**-**
28. Floor adjustment	**-**	**-**	**-**
29. Total	**10,231**	**10,034**	**818**

Capital requirements / risk weighted assets (continued)

Capital requirement and buffers for 2018



The Group is required to maintain a CET 1 ratio of 8.5% from 1 January 2018. This includes a Pillar 1 requirement of 4.5%, a Pillar 2A requirement of 2.1% and a capital conservation buffer of 1.875% (reflecting a further year's phase-in of 0.625%).

The Financial Policy Committee (FPC) in the UK increased the countercyclical buffer to 0.5% from 0% with binding effect from 27 June 2018, with a further increase to 1% from 28 November 2018. Table 2.7 details the mandatory disclosure of the countercyclical buffer as at 31 December 2017.

Table 2.2 - Pillar 1 capital requirements by exposure class

	2017			2016		
	Capital required £m	**RWA £m**	**Net Value Exposure £m**	Capital required £m	RWA £m	Net Value Exposure £m
Central governments or central banks	1	13	3,636	1	19	2,975
Public sector entities	-	-	15	-	-	16
Multilateral development banks	-	-	394	-	-	356
Institutions	3	44	2,058	6	69	2,965
Corporates	107	1,334	1,992	117	1,461	2,153
Retail	149	1,861	5,342	114	1,424	4,555
Secured by mortgages on immovable property	442	5,525	16,528	449	5,623	16,257
Exposures in default	31	382	345	33	410	371
Covered bonds	3	35	175	3	37	187
Equity exposures	4	44	44	-	2	2
Other exposures	18	237	421	17	210	345
Credit and counterparty risk[1]	**758**	**9,475**	**30,950**	**740**	**9,255**	**30,182**
Operational risk[2]	60	756	-	62	779	-
Total	**818**	**10,231**	**30,950**	**802**	**10,034**	**30,182**

The standardised categories included in table 2.2 are the asset classes, as per Article 112 of CRR. Only asset classes to which an exposure is attached have been included.

The Group applies the standardised approach for the calculation of its credit and counterparty risk and operational risk capital requirements.

There is no impediment to the prompt transfer of funds within the Group.

The total increase in Pillar 1 capital requirements of £16 million, which equates to an RWA increase of £197 million, relates primarily to growth in the Retail lending portfolio, offset by deleveraging in the GB Commercial portfolio disclosed above in the corporate exposure class and improvement in book quality as reflected in the reduction in exposures in default.

There is an additional requirement to hold capital against the equity investment in Marshall Leasing Limited, a subsidiary acquired during 2017, which does not form part of the regulatory group.

[1] *The Group's approach to Counterparty credit risk management is included in section 2.1.2 of the Annual Report.*
[2] *The Group's approach to Operational risk management is included in section 2.5 of the Annual Report.*

Capital resources

Table 2.3 - Reconciliation of accounting capital with regulatory capital

	2017 £m	2016 £m
Ordinary share capital	851	851
Capital contributions	566	566
Retained earnings and other reserves	215	267
Total equity	**1,632**	**1,684**
Regulatory adjustments	**(124)**	**(132)**
- Deferred tax assets relying on future profitability	*(73)*	*(74)*
- Intangible assets	*(20)*	*(25)*
- Cashflow hedge reserve	*(23)*	*(32)*
- Retirement benefit asset	*(7)*	*-*
- Prudent valuation adjustment	*(1)*	*(1)*
Common equity tier 1 capital	**1,508**	**1,552**
Additional tier 1		
Subordinated perpetual contingent conversion additional tier 1 securities	300	300
Total tier 1 capital	**1,808**	**1,852**
Tier 2		
Dated loan capital	290	335
Total tier 2 capital	**290**	**335**
Total capital	**2,098**	**2,187**
Total risk weighted assets	**10,231**	**10,034**
Capital ratios[1]		
Common equity tier 1 capital ratio	14.7%	15.5%
Tier 1 capital ratio	17.7%	18.4%
Total capital ratio	20.5%	21.8%
Leverage ratio	6.6%	6.9%

Table 2.3 sets out the Group's capital position, key ratios and a reconciliation of accounting with regulatory capital. The Group's capital position is the same on a transitional and fully loaded basis.

Table 2.4 provides an analysis of the movement in capital resources by tier of capital on a fully loaded basis.

The Group is strongly capitalised with a total capital ratio on a fully loaded basis of 20.5% at 31 December 2017 (31 December 2016: 21.8%).

Total capital resources decreased by £89 million during 2017 to £2.1 billion due to:

- a dividend payment of £160 million to the Parent;
- additional tier 1 coupons of £24 million paid to the Parent less a tax credit of £6 million; and
- the net repatriation of £45 million of dated loan capital paid to the Parent; and
- a decrease in other reserves of £3 million.

  offset by;
- profit after tax for 2017 of £129 million; and
- a reduction in regulatory adjustments of £8 million.

Risk weighted assets increased by £197 million from £10.0 billion to £10.2 billion reflecting growth in the consumer portfolios, offset by the impact of the continued deleverage of the GB Commercial lending portfolio and the increased investment in subsidiaries following the acquisition of Marshall Leasing Limited during 2017.

Leverage

The Group's leverage ratio on a fully loaded basis has increased by 0.3% to 6.6% at 31 December 2017 which is in excess of the Basel Committee minimum leverage ratio of 3%. In October 2017 the UK FPC increased the minimum leverage ratio requirement (where applicable) from 3% to 3.25% and revised the leverage exposure measure. The European Commission have proposed the introduction of a binding leverage requirement of 3% as part of the CRD V package proposals. It is anticipated that the binding leverage requirements will be applicable from 2019 at the earliest pending final agreement of the proposals at EU level. See Appendix II for further disclosures on leverage.

[1] *Capital ratios have been presented including the benefit of the retained profit in the period in accordance with Article 26 (2) of the CRR.*

Capital resources (continued)

Table 2.4 - Capital flow statement

	2017 £m	2016 £m
Opening common equity tier 1 capital	**1,552**	**1,612**
Contribution to common equity tier 1 capital from profit / (loss)	129	163
Dividends and coupons (net of tax) paid to the Parent	(178)	(239)
Net actuarial gain / (loss) on defined benefit schemes	6	(3)
Other reserves	(9)	24
	1,500	**1,557**
Regulatory adjustments	**8**	**(5)**
Deferred tax relying on future profitability	*1*	*10*
Intangible assets	*5*	*5*
Cashflow hedge reserve	*9*	*(21)*
Retirement benefit asset	*(7)*	*2*
Prudent valuation adjustment	*-*	*(1)*
Qualifying holdings outside of the financial sector	*-*	*-*
Closing common equity tier 1 capital	**1,508**	**1,552**
Opening additional tier 1 capital	**300**	**300**
Subordinated perpetual contingent conversion Additional tier 1 securities issued	-	-
Closing additional tier 1 capital	**300**	**300**
Total tier 1 capital	**1,808**	**1,852**
Opening tier 2 capital	**335**	**335**
Grandfathered non-cumulative callable preference shares called	-	-
Dated loan capital repurchased	(135)	-
Dated loan capital issued	90	-
Closing tier 2 capital	**290**	**335**
Total regulatory capital	**2,098**	**2,187**

Capital resources (continued)

The table below provides a reconciliation between the reported capital in the Group's Annual Report and the capital position of the Regulatory Group.

Table 2.5 - Reconciliation of statutory and regulatory capital

	2017		2016	
Exposure class	**Statutory Group £m**	**Regulatory Group £m**	Statutory Group £m	Regulatory Group £m
Total equity	**1,699**	**1,632**	**1,750**	**1,684**
Ordinary share capital	*851*	*851*	*851*	*851*
Capital contribution	*566*	*566*	*566*	*566*
Retained earnings[1]	*254*	*190*	*296*	*230*
Other reserves	*28*	*25*	*37*	*37*
Common equity tier 1 regulatory adjustments:		**(124)**		**(132)**
Deferred tax assets relying on future profitability		*(73)*		*(74)*
Intangible assets		*(20)*		*(25)*
Cashflow hedge reserve		*(23)*		*(32)*
Retirement benefit asset		*(7)*		*-*
Prudent valuation adjustment		*(1)*		*(1)*
Common equity tier 1 capital	**1,699**	**1,508**	**1,750**	**1,552**
Additional tier 1				
Subordinated perpetual contingent conversion additional tier 1 securities	300	300	300	300
Total tier 1 capital	**1,999**	**1,808**	**2,050**	**1,852**
Tier 2				
Dated loan capital	290	290	335	335
Total tier 2 capital	**290**	**290**	**335**	**335**
Total capital base	**2,289**	**2,098**	**2,385**	**2,187**

[1] *The £64 million (2016: £66 million) difference in retained earnings relates to deconsolidation of the reserves of entities outside of the Regulatory Group (FRESH, Bank of Ireland Trustee Company Ltd, Midasgrange Ltd, Marshall Leasing Ltd and Bowbell No. 1 plc).*

Capital resources (continued)

Own Funds

The table below outlines the component parts of regulatory capital including 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 RWAs, capital ratios and buffers before listing applicable caps on 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.

2017			
CRD IV			
Table 2.6 - Own funds disclosure		**Fully loaded 2017 £m**	Fully loaded 2016 £m
Common equity tier 1 capital: Instruments and reserves			
1	Capital Instruments and the related share premium accounts	851	851
	of which:		
	Ordinary stock	*851*	*851*
2	Retained Earnings	190	230
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	591	603
6	**Common equity tier 1 (CET 1) capital before regulatory adjustments**	**1,632**	**1,684**
	Common equity tier 1 (CET 1) capital regulatory adjustments		
7	Additional value adjustments (negative amount)	(1)	(1)
8	Intangible assets (net of related tax liability) (negative amount)	(20)	(25)
10	Deferred tax asset that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(73)	(74)
11	Fair value reserves related to gains or losses on cashflow hedges	(23)	(32)
15	Defined-benefit pension fund assets (negative amount)	(7)	-
28	**Total regulatory adjustments to Common equity tier 1 (CET 1)**	**(124)**	**(132)**
29	**Common equity tier 1 (CET 1) capital**	**1,508**	**1,552**
	Additional tier 1 (AT1) Capital: instruments and provisions		
30	Capital instruments and the relates share premium acounts	300	300
31	*of which:*		
	classified as equity under applicable accounting standards	*300*	*300*
36	**Additional tier 1 (AT1) capital before regulatory adjustments**	**300**	**300**
44	**Additional Tier 1 (AT1) capital**	**300**	**300**
45	**Tier 1 capital (T1 = CET 1 + AT1)**	**1,808**	**1,852**
	Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	290	335
51	**Tier 2 (T2) capital before regulatory adjustments**	**290**	**335**
58	**Tier 2 (T2) capital**	**290**	**335**
59	**Total capital (TC = T1+T2)**	**2,098**	**2,187**

Capital resources (continued)

2017

CRD IV **Table 2.6 - Own funds disclosure**		**Fully loaded 2017 £m**	Fully loaded 2016 £m
60	**Total risk weighted assets**	**10,231**	**10,034**
	Capital ratios and buffers		
61	Common equity tier 1 (as a percentage of total risk exposure amount)	14.7%	15.5%
62	Tier 1 (as a percentage of total risk exposure amount)	17.7%	18.4%
63	Total capital (as a percentage of total risk exposure amount)	20.5%	21.8%
64	Institution specific buffer requirement (CET 1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systematic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount.	5.8%	5.1%
	of which:		
65	*Capital conservation buffer requirement*[1]	*1.25%*	*0.6%*
66	*Countercyclical buffer requirement*	*0.0%*	*0.0%*
67	*Systemic risk buffer requirement*	*0.0%*	*0.0%*
67a	*Global Systemically Important institution (G-SII) or Other Systemically Important Institution (O-SII) buffer*	*0.0%*	*0.0%*
68	Common equity tier 1 available to meet buffers (as a percentage of risk exposure amount)	10.2%	11.0%

[1] *The capital conservation buffer is being phased in from 1 January 2016 to 1 January 2019. The 2017 buffer of 1.25% will increase to 2.5% by 1 January 2019.*

Capital resources (continued)

Countercyclical buffer

The Group is required by the CRR and Commission Delegated Regulation 2015/1555 to disclose the key elements of the calculation of the countercyclical buffer, comprising the geographical distribution of the relevant credit exposure and the Group's institution-specific countercyclical capital buffer rate. The calculation of the Group countercyclical buffer rate requires that the location of the own funds requirements for all credit exposures are identified geographically, and institution-specific rate is the weighted average of the countercyclical buffer rates that apply in the jurisdictions of the exposure.

Under the Commission Delegated Regulation 1152/2014 Article 2(5)b the Group allocates all non-UK exposures to the UK for the purposes of calculating the countercyclical buffer, due to the fact that the Group has a non-material foreign exposure which is below the threshold conditions outlined in the delegated regulation. The countercyclical buffer applicable to the Group throughout 2017 was 0%. The Financial Policy Committee have increased the countercyclical buffer from 0% to 0.5%, with binding effect from June 2018 with a further increase to 1% from November 2018.

Table 2.7 - Credit exposures relevant for the calculation of the countercyclical capital buffer

		General credit exposures		Trading book exposures		Securitisation exposures		Own funds requirements					
		Exposure value for SA £m	Exposure value for IRB £m	Sum of long and short position of trading book £m	Value of trading book exposure for internal models £m	Exposure value for SA £m	Exposure value for IRB £m	General credit exposures £m	Trading book exposures £m	Securitisation exposures £m	Total £m	Own funds requirement weights	Counter-cyclical capital buffer rate %
10	Breakdown by country												
	United Kingdom	24,848	-	-	-	-	-	753	-	-	753	1.00	0%
20	**Total**	**24,848**	**-**	**-**	**-**	**-**	**-**	**753**	**-**	**-**	**753**	**1.00**	

	Amount of institution-specific countercyclical capital buffer	2017
10	Total risk exposure amount (£m)	10,231
20	Institution specific countercyclical buffer rate (%)	0.00
30	Institution specific countercyclical buffer requirement (£m)	-

Risk management

The Group adopts an integrated approach to risk management to ensure that all material classes of risk are taken into account and that its risk management and capital management strategies are aligned with its overall business strategy.

Section 1.8 of the Strategic Report, within the Group's Annual Report, provides a summary of the principal risks and uncertainties faced by the Group, the outlook for these risks going forward, the implications for the Group should the risks materialise, and the relevant key controls and mitigating factors.

The Group's approach to risk management is approved by the Board of Directors on the recommendation of the Board Risk Committee (BRC) on an annual basis. Details of the embedded risk management framework and the management of key risks are included in the Risk Management section in the Group's Annual Report.

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 includes but is not limited to country risk, default risk, recovery risk, exposure risk, cross border (or transfer) risk, concentration risk and settlement risk. The nature of the Group's exposure to credit risk, the manner in which it arises, policies and processes for managing credit risk, and the methods used to measure and monitor credit risk are set out in the Group's Annual Report in the Risk Management section.

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. The main types of financial transactions the Group enters into which give rise to credit risk are loans and advances to customers and its investments in liquid assets. Credit risk on loans and advances to customers arises as a result of the amounts it has actually lent and the amounts which it has committed to lend.

The principles governing the provision of credit are contained in the Statement of Credit Policy, which is approved by the BRC. Individual sector and portfolio-level credit policies define in greater detail the credit approach appropriate to those sectors or portfolios.

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

The Group uses the standardised approach for the calculation of credit risk capital requirements. The standardised approach involves the application of prescribed regulatory risk weights to credit exposures to calculate capital requirements.

The credit risk information disclosed in this document includes a breakdown of the Group's exposures by CRR exposure class, by location, sector, maturity and asset quality. Information on past due and impaired financial assets and provisions is also provided.

Credit risk mitigation for risk management purposes

An assessment of the borrower's ability to service and repay the proposed level of debt is undertaken for credit requests and is the primary component of the Group's approach to mitigating credit risk.
In addition, the Group mitigates credit risk through both the adoption of preventative measures, (e.g. controls and limits) and the development and implementation of strategies to assess and reduce the impact of particular risks, should these materialise.

Details on the treatment of collateral for credit risk mitigation are set out in the Group's Annual Report at 2.1.3 of the Risk Management section.

Credit risk mitigation for capital requirements calculation

The Group's approach to the use of credit risk mitigation is as follows:

- for intergroup exposure to the Parent, including derivative exposures, and for repo exposures to other banks and sovereigns, the Group utilise both on and off balance sheet netting;
- for the purposes of calculating the capital requirements for retail mortgages, in accordance with the guidelines of CRR Article 125, the risk weight of retail mortgages may be reduced (to a minimum of 35% for fully performing secured mortgages) based on the LTV of the property; and
- credit risk mitigation techniques are not used for the Group's other portfolios.

Where credit risk mitigation techniques are implemented for the portfolios, as described above, the Group's application of the CRR is controlled by the 'Capital Requirements Regulation BOI (UK) plc Credit Risk-Weighted Asset Calculation Policy'. This includes the approach to netting, collateral valuation, and definition of cash as the only eligible collateral for netting arrangements.

The Group's main counterparty where netting is applicable is the Bank of Ireland Group. At 31 December 2017, the gross exposure to which netting is applied is £2.1 billion with a post netting balance of £175 million.

Exposure to credit risk

Table 3.1 shows the net value of the Group's exposure to credit risk at the end of period as well as the average quarterly exposure throughout the year. The exposure at default (EAD) at the end of the period is also disclosed.

Table 3.1 - EU CRB-B - Exposure to credit risk

	2017			2016		
Exposure class	**EAD at the end of the period £m**	**Net value of exposures at the end of the period £m**	**Average net exposures over the period £m**	EAD at the end of the period £m	Total net value of exposures at the end of the period £m	Average net exposures over the period £m
Central governments or central banks	3,636	3,636	3,357	2,975	2,975	3,840
Public sector entities	15	15	15	16	16	8
Multilateral development banks	394	394	381	356	356	405
Institutions	175	2,058	2,380	304	2,965	3,388
Corporates	1,503	1,992	2,029	1,638	2,153	2,232
of which:						
SMEs	*1,354*	*1,758*	*1,842*	*1,570*	*1,982*	*2,031*
Retail	2,576	5,342	5,306	1,999	4,555	4,306
of which:						
SMEs	*410*	*410*	*418*	*422*	*422*	*432*
Secured by mortgages on immovable property	15,787	16,528	16,377	15,850	16,257	16,223
of which:						
SMEs	-	-	-	-	-	-
Exposures in default	339	345	380	362	371	438
Covered bonds	175	175	175	187	187	153
Equity exposures	44	44	12	2	2	2
Other exposures	421	421	390	345	345	344
Total standardised approach	**25,065**	**30,950**	**30,802**	**24,034**	**30,182**	**31,339**

At 31 December 2017, the difference between EAD and net value of £5.9 billion relates to credit mitigation of £1.9 billion and credit conversion factors on off balance sheet exposures of £4.0 billion.

Information on non-performing exposures (NPE) is included in the Group's Annual Report in the Risk Management section and includes certain loans which do not meet the regulatory definition of default in line with CRR Article 178.

Table 3.2 presents gross carrying values of credit risk exposures, specific credit risk adjustments and net exposure at 31 December 2017, along with accumulated write offs and credit risk adjustment charges in the period.

Table 3.2 - EU CR1-A - Credit quality of exposures by exposure class and instrument

	Gross carrying value of						
2017	**Defaulted exposures £m**	**Non-defaulted exposures £m**	**Specific credit risk adjustment £m**	**General credit risk adjustment £m**	**Accumulated write offs £m**	**Credit risk adjustment charges of the period £m**	**Net value £m**
Central governments or central banks	-	3,636	-	-	-	-	3,636
Public sector entities	-	15	-	-	-	-	15
Multilateral development banks	-	394	-	-	-	-	394
Institutions	-	2,058	-	-	-	-	2,058
Corporates	-	2,001	9	-	-	9	1,992
of which: SMEs	-	*1,767*	*9*	-	-	*1*	*1,758*
Retail	-	5,363	21	-	-	15	5,342
of which: SMEs	-	*410*	-	-	-	-	*410*
Secured by mortgages on immovable property	-	16,548	20	-	-	2	16,528
of which: SMEs	-	-	-	-	-	-	-
Exposures in default	450	-	105	-	1,047	-	345
Covered bonds	-	175	-	-	-	-	175
Equity exposures	-	44	-	-	-	-	44
Other exposures	-	421	-	-	-	-	421
Total standardised approach	**450**	**30,655**	**155**	**-**	**1,047**	**26**	**30,950**
of which:							
Loans	*441*	*26,375*	*155*	-	*1,047*	*26*	*26,661*
Debt securities	-	-	-	-	-	-	-
Off balance sheet exposures	*9*	*4,280*	-	-	-	-	*4,289*

Credit quality of exposures by geography

The Group has two primary markets, Great Britain and Northern Ireland. Table 3.3 shows the geographical location of credit risk exposures, based on the residence of the immediate counterparty. The 'other' category includes liquid asset investments to institutions, MDBs and PSEs.

Table 3.3 - EU CRB-C - Geographical breakdown of exposures - location of residence of counterparty

	2017				2016			
Net Value	**Northern Ireland £m**	**Great Britain £m**	**Other £m**	**Total £m**	Northern Ireland £m	Great Britain £m	Other £m	Total £m
Central governments or central banks	-	3,636	-	3,636	-	2,930	45	2,975
Public sector entities	-	-	15	15	-	-	16	16
Multilateral development banks	-	-	394	394	-	-	356	356
Institutions	-	34	2,024	2,058	-	36	2,929	2,965
Corporates	1,431	373	188	1,992	1,422	512	219	2,153
Retail	473	4,834	35	5,342	440	4,100	15	4,555
Secured by mortgages on immovable property	826	15,702	-	16,528	813	15,444	-	16,257
Exposures in default	101	224	20	345	142	200	29	371
Covered bonds	-	175	-	175	-	187	-	187
Equity exposures	-	-	44	44	-	-	2	2
Other exposures	-	-	421	421	-	-	345	345
Total standardised approach	**2,831**	**24,978**	**3,141**	**30,950**	**2,817**	**23,409**	**3,955**	**30,182**

The reduction in the corporate exposure of £161 million reflects continued deleverage in the Great Britain portfolio. The increase in retail exposures of £787 million in part reflects strong growth in the Personal Lending business. The increase in Central Government and Central Bank's exposures of £661 million is due to planned balance sheet management including participation on the Bank of England Term Funding Scheme.

Table 3.4 - EU CR1-C - Credit quality of exposures by geographical breakdown - location of residence of counterparty

	Gross carrying value of						
2017	**Defaulted exposures £m**	**Non-defaulted exposures £m**	**Specific credit risk adjustment £m**	**General credit risk adjustment £m**	**Accumulated write offs £m**	**Credit risk adjustment charges of the period £m**	**Net value £m**
Northern Ireland	156	2,739	64	-	583	8	2,831
Great Britain	265	24,789	76	-	355	18	24,978
Other	29	3,127	15	-	109	-	3,141
Total	**450**	**30,655**	**155**	**-**	**1,047**	**26**	**30,950**

Industry analysis of exposures

The industry classification in table 3.5 is based on the activity of the immediate counterparty.

Table 3.5 - Industry analysis of exposures

2017 Net value	**Central and local government or central banks £m**	**Mortgages £m**	**Personal £m**	**Manufacturing £m**	**Agriculture £m**	**Services £m**	**Property construction £m**	**Distribution £m**	**Energy £m**	**Other £m**	**Total £m**
Central governments or central banks	3,636	-	-	-	-	-	-	-	-	-	3,636
Public sector entities	-	-	-	-	-	-	-	-	-	15	15
Multilateral development banks	-	-	-	-	-	394	-	-	-	-	394
Institutions	-	-	-	-	-	56	-	-	-	2,002	2,058
Corporates	-	1	120	193	97	596	711	105	1	168	1,992
Retail	-	214	4,719	36	122	125	76	45	5	-	5,342
Secured by mortgages on immovable property	-	16,528	-	-	-	-	-	-	-	-	16,528
Exposures in default	-	182	14	4	2	19	122	2	-	-	345
Items associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	175	-	-	-	-	175
Equity exposures	-	-	-	-	-	-	-	-	-	44	44
Other exposures	-	-	-	-	-	-	-	-	-	421	421
Total standardised approach	**3,636**	**16,925**	**4,853**	**233**	**221**	**1,365**	**909**	**152**	**6**	**2,650**	**30,950**

2016 Net value	Central and local government or central banks £m	Mortgages £m	Personal £m	Manufacturing £m	Agriculture £m	Services £m	Property construction £m	Distribution £m	Energy £m	Other £m	Total £m
Central governments or central banks	2,975	-	-	-	-	-	-	-	-	-	2,975
Public sector entities	-	-	-	-	-	-	-	-	-	16	16
Multilateral development banks	-	-	-	-	-	356	-	-	-	-	356
Institutions	-	-	-	-	-	53	-	-	-	2,912	2,965
Corporates	-	1	133	220	89	459	911	111	1	228	2,153
Retail	-	-	4,133	32	121	165	63	36	5	-	4,555
Secured by mortgages on immovable property	-	16,257	-	-	-	-	-	-	-	-	16,257
Exposures in default	-	159	16	4	2	22	165	2	-	1	371
Items associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	187	-	-	-	-	187
Equity exposures	-	-	-	-	-	-	-	-	-	2	2
Other exposures	-	-	-	-	-	-	-	-	-	345	345
Total standardised approach	2,975	16,417	4,282	256	212	1,242	1,139	149	6	3,504	30,182

Credit quality of exposures by industry

Table 3.6 - EU CR1-B - Credit quality of exposures by industry or counterparty types

2017	Gross carrying value of: Defaulted exposures £m	Gross carrying value of: Non-defaulted exposures £m	Specific credit risk adjustment £m	General credit risk adjustment £m	Accumulated write offs £m	Credit risk adjustment charges of the period £m	Net value £m
Central and local governments or central banks	-	3,636	-	-	-	-	3,636
Mortgages	188	16,764	27	-	31	2	16,925
Personal	34	4,859	40	-	140	15	4,853
Agriculture	2	219	-	-	1	-	221
Manufacturing	4	230	1	-	18	-	233
Services	37	1,350	22	-	169	1	1,365
Property and construction	182	790	63	-	614	8	909
Distribution	3	150	1	-	5	-	152
Energy	-	6	-	-	-	-	6
Other	-	2,650	-	-	69	-	2,650
Total	**450**	**30,655**	**155**	**-**	**1,047**	**26**	**30,950**

Maturity of exposures

The maturity analysis shows the Group's credit exposure by residual contractual maturity date.

Table 3.7 - EU CRB-E - Maturity of exposures

2017 Net value	**On demand £m**	**<=1 year £m**	**>1 year <=5 years £m**	**>5 years £m**	**Not stated maturity £m**	**Total £m**
Central governments or central banks	-	3,220	416	-	-	3,636
Public sector entities	-	-	15	-	-	15
Multilateral development banks	-	165	216	13	-	394
Institutions	11	1,497	550	-	-	2,058
Corporates	464	498	546	484	-	1,992
Retail	2,926	109	2,024	283	-	5,342
Secured by mortgages on immovable property	-	1,060	643	14,825	-	16,528
Exposures in default	12	47	26	260	-	345
Covered bonds	-	72	103	-	-	175
Equity exposures	-		-	44	-	44
Other exposures	-	421	-	-	-	421
Total standardised approach	**3,413**	**7,089**	**4,539**	**15,909**	**-**	**30,950**

2016 Net value	On demand £m	<=1 year £m	>1 year <=5 years £m	>5 years £m	Not stated maturity £m	Total £m
Central governments or central banks	-	2,500	427	48	-	2,975
Public sector entities	-	-	16	-	-	16
Multilateral development banks	-	34	322	-	-	356
Institutions	9	2,634	322	-	-	2,965
Corporates	473	607	466	607	-	2,153
Retail	2,924	67	1,550	14	-	4,555
Secured by mortgages on immovable property	-	496	645	15,116	-	16,257
Exposures in default	20	34	29	288	-	371
Covered bonds	-	23	164	-	-	187
Equity exposures	-	-	-	2	-	2
Other exposures	-	345	-	-	-	345
Total standardised approach	3,426	6,740	3,941	16,075		30,182

Analysis of credit quality

Under the standardised approach credit risk is measured by applying risk weights outlined in the CRR based on the exposure class to which the exposure is allocated. Where a counterparty is rated by External Credit Assessment Institutions (ECAIs) or Export Credit Agencies (ECAs), the Standardised approach permits banks to use these ratings to determine the risk weighting applicable to exposures to that counterparty. This is done by firstly mapping the rating to a credit quality step, which in turn is then mapped to a risk weight. The following table shows the EAD by risk weight.

Table 3.8 - EU CR5 - Risk weight band analysis of exposure

2017 EAD (£m)	**0%**	**2%**	**4%**	**10%**	**20%**	**35%**	**50%**	**70%**	**75%**	**100%**	**150%**	**250%**	**370%**	**1250%**	**Others**	**Deducted**	**Total**	**Unrated**
Central governments or central banks	3,631	-	-	-	-	-	-	-	-	-	-	5	-	-	-	-	3,636	-
Public sector entities	15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15	-
Multilateral development banks	394	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	394	-
Institutions	-	-	-	-	147	-	28	-	-	-	-	-	-	-	-	-	175	-
Corporates	-	-	-	-	-	-	-	-	-	1,503	-	-	-	-	-	-	1,503	-
Retail	-	-	-	-	-	-	-	-	2,576	-	-	-	-	-	-	-	2,576	-
Secured by mortgages on immovable property	-	-	-	-	-	15,787	-	-	-	-	-	-	-	-	-	-	15,787	-
Exposures in default	-	-	-	-	-	-	-	-	-	251	88	-	-	-	-	-	339	-
Covered bonds	-	-	-	-	175	-	-	-	-	-	-	-	-	-	-	-	175	-
Equity	-	-	-	-	-	-	-	-	-	44	-	-	-	-	-	-	44	-
Other exposures	29	-	-	-	193	-	-	-	-	199	-	-	-	-	-	-	421	-
Total	**4,069**	**-**	**-**	**-**	**515**	**15,787**	**28**	**-**	**2,576**	**1,997**	**88**	**5**	**-**	**-**	**-**	**-**	**25,065**	**-**

2016 EAD (£m)	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Other	Deducted	Total	Unrated
Central governments or central banks	2,968	-	-	-	-	-	-	-	-	-	-	7	-	-	-	-	2,975	-
Public sector entities	16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16	-
Multilateral development banks	356	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	356	-
Institutions	-	-	-	-	277	-	27	-	-	-	-	-	-	-	-	-	304	-
Corporates	-	-	-	-	-	-	-	-	-	1,638	-	-	-	-	-	-	1,638	-
Retail	-	-	-	-	-	-	-	-	1,999	-	-	-	-	-	-	-	1,999	-
Secured by mortgages on immovable property	-	-	-	-	-	15,661	-	-	189	-	-	-	-	-	-	-	15,850	-
Exposures in default	-	-	-	-	-	-	-	-	-	265	97	-	-	-	-	-	362	-
Covered bonds	-	-	-	-	187	-	-	-	-	-	-	-	-	-	-	-	187	-
Equity	-	-	-	-	-	-	-	-	-	2	-	-	-	-	-	-	2	-
Other exposures	31	-	-	-	131	-	-	-	-	183	-	-	-	-	-	-	345	-
Total	3,371	-	-	-	595	15,661	27	-	2,188	2,088	97	7	-	-	-	-	24,034	-

Analysis of credit quality (continued)

Table 3.9 presents exposures on two different basis before and after application of credit conversion factorss (CCF) and credit risk mitigation (CRM).

Table 3.9 - EU CR4 - Credit risk exposure and CRM effects

	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA Density	
Gross carrying value	**On balance sheet amount £m**	**Off balance sheet amount £m**	**On balance sheet amount £m**	**Off balance sheet amount £m**	**RWAs £m**	**RWAs Density %**
Central governments or central banks	3,636	-	3,636	-	13	0%
Public sector entities	15	-	15	-	-	0%
Multilateral development banks	394	-	394	-	-	0%
Institutions	2,058	-	175	-	44	25%
Corporates	1,459	533	1,459	44	1,334	91%
Retail	2,569	2,773	2,569	7	1,861	72%
Secured by mortgages on immovable property	15,554	974	15,554	233	5,525	36%
Exposures in default	336	9	336	2	382	113%
Covered bonds	175	-	175	-	35	20%
Equity exposures	44	-	44	-	44	100%
Other exposures	421	-	421	-	237	56%
Total	**26,661**	**4,289**	**24,778**	**286**	**9,475**	

Past due and impaired exposures

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

- loans excluding Residential mortgages where repayment of interest and / or principal are overdue by at least one day but are not impaired; and
- residential mortgages may be past due but not impaired in cases where the loan to value (LTV) ratio on the mortgage indicates no loss to the Group in the case of default by the borrower.

Impaired loans are defined as follows:

- all loans with a specific impairment provision attached to them together with loans (excluding Residential mortgages) which are more than 90 days in arrears;
- Residential mortgages considered forborne, with a specific provision attaching to them, are reported as both forborne and impaired; and
- Forborne loans (excluding residential mortgages) with a specific provision attaching to them are only reported as impaired and not forborne.

Table 3.10 - Past due and impaired exposures by industry class

	2017			2016		
Gross carrying value	**Past due exposures £m**	**Impaired exposures £m**	**Total £m**	Past due exposures £m	Impaired exposures £m	Total £m
Mortgages	332	67	399	352	67	419
Personal	28	35	63	19	19	38
Manufacturing	2	1	3	-	-	-
Agriculture	2	4	6	-	-	-
Services	18	26	44	35	80	115
Property and Construction	48	141	189	51	267	318
Distribution	2	1	3	-	-	-
Energy	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	**432**	**275**	**707**	457	433	890

Past due and impaired exposures (continued)

Table 3.11 - EU CR2-A - Changes in the stock of general and specific credit risk adjustments

2017	Accumulated specific credit risk adjustment £m	Accumulated general credit risk adjustment £m
Opening balance as at 1 January 2017	266	-
Increases due to amounts set aside for estimated loan losses during the period	59	-
Decreases due to amounts reversed for estimated loan losses during the period	(33)	-
Decreases due to amounts taken against accumulated credit risk adjustments	(155)	-
Transfers between credit risk adjustments	-	-
Impact of exchange rate differences	-	-
Business combinations, including acquisitions and disposals of subsidiaries	-	-
Other adjustments	18	-
Closing balance as at 31 December 2017	**155**	**-**
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	-	-
Specific credit risk adjustments directly recorded to the statement of profit or loss	-	-

Table 3.12 - EU CR2-B - Changes in the stock of defaulted and impaired loans

2017	Gross carrying value of defaulted exposures £m
Opening balance as at 1 January 2017	643
Loans and debt securities that have defaulted or impaired since the last reporting period	108
Returned to non-defaulted status	(98)
Amounts writen off	(155)
Other changes	(88)
Closing balance as at 31 December 2017	**410**

The loan loss provisioning methodology used in the Group is set out in the Risk Management section of the Group's Annual Report.

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.

Table 3.11 shows the movement in provisions on loans and advances to customers during the year ended 31 December 2017 and is based on financial statement information.

Table 3.12 shows the changes in stock of defaulted and impaired loans.

Further information on past due and impaired exposures is disclosed in the Risk Management section 2.1.7 of the Group's Annual Report.

Past due and impaired exposures (continued)

Table 3.13 is based on the ageing analysis of the balance sheet past due exposures regardless of their impairment status.

Table 3.13 - EU CR1-D - Ageing of past due exposures

2017 **Gross carrying value**	**<=30 days £m**	**>30 days <=60 days £m**	**>60 days <=90 days £m**	**>90 days <=180 days £m**	**>180 days <=1 year £m**	**>1 year £m**
Loans	127	181	35	89	-	-
Debt securities	-	-	-	-	-	-
Total exposures	**127**	**181**	**35**	**89**	**-**	**-**

Table 3.14 - EU CR1-E - Non-performing and forborne exposures

	Gross carrying amount of performing and non-performing exposures							**Accumulated impairment and provisions and negative fair value adjustments due to credit risk**				**Collaterals and financial guarantees received**	
2017	**Total £m**	*of which; performing but past due >30 days and <=90 days £m*	*of which; performing forborne £m*	**Non-performing £m**	*of which; defaulted £m*	*of which; impaired £m*	*of which; forborne £m*	**On performing exposures £m**	*of which; forborne £m*	**On non-performing exposures £m**	*of which; forborne £m*	**On non-performing exposures £m**	**On forborne exposures £m**
Debt securities	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances	24,988	204	133	480	410	275	288	49	3	106	72	261	265
Off-balance sheet exposures	4,289	-	7	6	6	-	4	-	-	-	-	-	-

Credit risk mitigation

Table 3.15 - EU CR3 - CRM techniques - Overview

2017 **Gross carrying value**	**Total** **£m**	**Exposures unsecured carrying amount** **£m**	**Exposures secured carrying amount** **£m**	**Exposures secured by collateral** **£m**	**Exposures secured by financial guarantees** **£m**	**Exposures secured by credit derivatives** **£m**
Central governments or central banks	3,636	3,636	-	-	-	-
Public Sector entities	15	15	-	-	-	-
Multilateral development banks	394	394	-	-	-	-
Institutions	2,058	175	1,883	-	1,883	-
Corporates	1,459	1,459	-	-	-	-
Retail	2,569	2,569	-	-	-	-
Secured by mortgages on immovable property	15,554	15,554	-	-	-	-
Exposures in default	336	336	-	-	-	-
Covered bonds	175	175	-	-	-	-
Equity exposures	44	44	-	-	-	-
Other exposures	421	421	-	-	-	-
Total	**26,661**	**24,778**	**1,883**	**-**	**1,883**	**-**

Appendix I: Capital instruments

The table below provides information on the CET 1, AT1 and Tier 2 instruments issued by the Bank per Article 3 of commission regulation EU no. 1423/2013.

Table 1 - Capital instruments

Description									
1. Issuer	Bank of Ireland (UK) plc	Bank of Ireland (UK) plc	Bank of Ireland (UK) plc	Bank of Ireland (UK) plc	Bank of Ireland (UK) plc	Bank of Ireland (UK) plc	Bank of Ireland (UK) plc	Bank of Ireland (UK) plc	Bank of Ireland (UK) plc
2. Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	n/a	n/a	n/a	n/a	Certificate No.1	n/a	Certificate No.1	Certificate No.1	Certificate No.1
3. Governing law(s) of the instrument	English law	English law	English law	English law	English law	English law	English law	English law	English law
4. Transitional CRR rules	Common equity tier 1	Common equity tier 1	Common equity tier 1	Common equity tier 1	Tier 2	Common equity tier 1	Additional tier 1	Tier 2	Additional tier 1
5. Post-transitional CRR rule	Common equity tier 1	Common equity tier 1	Common equity tier 1	Common equity tier 1	Tier 2	Common equity tier 1	Additional tier 1	Tier 2	Additional tier 1
6. Eligible at solo/ (sub)-consolidated / solo & (sub)-consolidated	Solo and consolidated	Solo and consolidated	Solo and consolidated	Solo and consolidated	Solo and consolidated	Solo and consolidated	Solo and consolidated	Solo and consolidated	Solo and consolidated
7. Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares	Floating rate Subordinated notes	Ordinary shares	Subordinated perpetual contingent conversion additional tier 1 capital securities	Floating Rate Subordinated Notes	Subordinated perpetual contingent conversion additional tier 1 capital securities
8. Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	£581m	£50m	£175m	£10m	£90m	£35m	£200m	£200m	£100m
9. Nominal amount	£581m	£50m	£175m	£10m	£90m	£35m	£200m	£200m	£100m
9a. Issue price	£1 each	£1 each	£1 each	£1 each	n/a	£1 each	n/a	n/a	n/a
9b. Redempton price	Non-redeemable	Non-redeemable	Non-redeemable	Non-redeemable	Redemption of notes in full	Non-redeemable	Redemption of securities in full	Redemption of notes in full	Redemption of securities in full
10. Accounting classification	Shareholders' equity	Shareholders' equity	Shareholders' equity	Shareholders' equity	Liability - Amortised Cost	Shareholders' equity	Shareholders' equity	Liability - Amortised Cost	Shareholders' equity

Appendix I: Capital instruments (continued)

Description										
11.	Original date of issuance	7 October 2010	19 December 2011	21 December 2011	16 July 2012	19 December 2017	3 April 2013	1 May 2015	26 November 2015	25 November 2015
12.	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Dated	Perpetual	Perpetual	Dated	Perpetual
13.	Original maturity date	No Maturity	No Maturity	No Maturity	No Maturity	Interest payment date falling in December 2027	No Maturity	No Maturity	Interest payment date falling in November 2025	No Maturity
14.	Issuer call subject to prior supervisory approval	No	No	No	No	Yes	No	Yes	Yes	Yes
15.	Optional call date, contingent call dates, and redemption amount	n/a	n/a	n/a	n/a	Interest payment date falling in December 2022 £90m (plus interest accrued and unpaid)	n/a	1 May 2020 £200m (plus interest accrued and unpaid)	Interest payment date falling in November 2020 £200m (plus interest accrued and unpaid)	26 November 2020 £100m (plus interest accrued and unpaid)
16.	Subsequent call dates, if applicable	n/a	n/a	n/a	n/a	On any interest payment date post the 5 year call	n/a	On any interest payment date after 1 May 2020	On any interest payment date after the IPD in November 2020	On any interest payment date after 26 November 2020
17.	Fixed or floating dividend / coupon	Floating	Floating	Floating	Floating	Floating	Floating	Fixed to floating	Floating	Fixed to floating
18.	Coupon rate and any related index	As per the earnings per share calculation	As per the earnings per share calculation	As per the earnings per share calculation	As per the earnings per share calculation	3 mth sterling Libor + 2.72%	As per the earnings per share calculation	7.875% from the issue date to but excluding 1 May 2020 and thereafter at the relevant reset interest rate	3 mth sterling Libor + 4.225%	8.40% from the issue date to but excluding 26 November 2020 and thereafter at the relevant reset interest rate

Appendix I: Capital instruments (continued)

Description									
19. Existence of a dividend stopper	No	No	No	No	No	No	No	No	No
20a. Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Mandatory	Fully discretionary	Fully discretionary	Mandatory	Fully discretionary
20b. Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Mandatory	Fully discretionary	Fully discretionary	Mandatory	Fully discretionary
21. Existence of step up or other incentive to redeem	No	No	No	No	No	No	No	No	No
22. Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23. Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Convertible	Non-convertible	Convertible
24. If convertible, conversion trigger(s)	n/a	n/a	n/a	n/a	n/a	n/a	7% Fully Loaded CET 1	n/a	7% Fully Loaded CET 1
25. If convertible, fully or partially	n/a	n/a	n/a	n/a	n/a	n/a	Fully	n/a	Fully
26. If convertible, conversion rate	n/a	n/a	n/a	n/a	n/a	n/a	200 million £1 shares	n/a	100 million £1 shares
27. If convertible, mandatory or optional conversion	n/a	n/a	n/a	n/a	n/a	n/a	Mandatory	n/a	Mandatory
28. If convertible, specify instrument type convertible into	n/a	n/a	n/a	n/a	n/a	n/a	Ordinary shares	n/a	Ordinary shares
29. If convertible, specify issuer of instrument it converts into	n/a	n/a	n/a	n/a	n/a	n/a	Bank of Ireland (UK) plc	n/a	Bank of Ireland (UK) plc

Appendix I: Capital instruments (continued)

Description									
30. Write-down features	No	No	No	No	No	No	No	No	No
31. If write-down, write-down trigger(s)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
32. If write-down, full or partial	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
33. If write-down, permanent or temporary	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
34. If temporary write-down, description of write-up mechanism	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
35. Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Most junior	Most junior	Most junior	Most junior	See Note 1	Most junior	See Note 2	See Note 1	See Note 2
36. Non-compliant transitional features	No	No	No	No	No	No	No	No	No
37. If yes, specify non-compliant features	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Note 1 *On a Winding-Up the rights of the Noteholders against the Issuer in respect of the Notes are subordinated in right of payment to all Senior Creditors but shall rank at least pari passu with the claims of holders of all obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital of the Issuer and in priority to the claims of (1) holders of all obligations of the Issuer which constitute Tier 1 Capital of the Issuer, (2) holders of all undated or perpetual subordinated obligations of the Issuer and (3) holders of all classes of share capital of the Issuer.*

Note 2 *In the event of a Winding-Up prior to the occurrence of a Trigger Event, there shall be payable by Issuer in respect of each Security (in lieu of any other payment by the Issuer, but subject as provided in Condition 4.1), such amount, if any, as would have been payable to the Securityholder if, on the day prior to the commencement of the Winding-Up and thereafter, such Securityholder were the holder of one of a class of preference shares in the capital of the Issuer (Notional Preference Shares) ranking pari passu as to a return of assets on a Winding-Up with the claims in respect of Parity Obligations and the holders of that class or classes of preference shares (if any) from time to time issued or which may be issued by Issuer which have a preferential right to a return of assets in the Winding-Up over, and so rank ahead of, the holders of all other classes of issued shares for the time being in the capital of the Issuer, but ranking junior to the claims of Senior Creditors, on the assumption that the amount that such Securityholder was entitled to receive in respect of each Notional Preference Share on a return of assets in such Winding-Up was an amount equal to the principal amount of the relevant Security and any accrued but unpaid interest thereon and any damages awarded for breach of any obligations.*

Appendix II: Leverage

Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures - Fully loaded CRD IV

		2017 £m	2016 £m
1	**Total assets as per published financial statements**	**26,235**	**25,960**
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(78)	(68)
4	Adjustments for derivative financial instruments	9	(16)
5	Adjustments for securities financing transactions 'SFTs'	141	58
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	605	502
7	Other adjustments	348	549
8	**Total leverage ratio exposure**	**27,260**	**26,985**

Table LRCom: Leverage ratio common disclosure

		2017 £m	2016 £m
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	26,579	26,485
2	(Asset amounts deducted in determining Tier 1 capital)	(100)	(99)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**26,479**	**26,386**
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	7	16
5	Add-on amounts for PFE associated with all derivatives transactions mark-to-market method)	28	23
11	**Total derivative exposures (sum of lines 4 to 10)**	**35**	**39**
	Securities financing transaction exposures		
14	Counterparty credit risk exposures for SFT assets	141	58
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**141**	**58**
	Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	4,289	3,688
18	(Adjustments for conversion to credit equivalent amounts)	(3,684)	(3,186)
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**605**	**502**
	Capital and total exposures		
20	**Tier 1 capital**	**1,808**	**1,852**
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**27,260**	**26,985**
	Leverage ratio		
22	**Leverage ratio**	**6.6%**	**6.9%**

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 2017, the leverage ratio was 6.6% on a fully loaded basis (31 December 2016: 6.9%).

The Group's leverage ratio is in excess of the Basel Committee's minimum leverage ratio of 3%. It is now anticitpated that further adjustments to the definition of leverage ratio will be completed during 2018.

The European Commission have proposed the introduction of a binding leverage requirement of 3% as part of the CRD V package proposals. It is anticipated that the binding leverage requirement will be applicable from 2019 at the earliest pending the final agreement of the proposals at EU level.

These tables illustrate the leverage ratio calculated in accordance with Articles 429, 499(2) and (3) of the CRR as at 31 December 2017 and 31 December 2016 on a fully loaded basis. Rows that are not applicable to the Group have been omitted.

Appendix II: Leverage (continued)

Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) - Fully loaded CRD IV

		2017 £m	2016 £m
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**26,479**	**26,386**
EU-3	Banking book exposures, of which:	26,479	26,386
EU-4	Covered bonds	175	187
EU-5	Exposures treated as sovereigns	3,949	3,363
EU-7	Institutions	2,035	2,938
EU-8	Secured by mortgages of immovable properties	15,554	15,697
EU-9	Retail exposures	2,569	1,995
EU-10	Corporate	1,446	1,586
EU-11	Exposures in default	337	358
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	414	262

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.

Leverage is the extent to which a firm funds its assets with borrowings rather than equity. More debt relative to each pound 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 their risk characteristics. Leverage ratios effectively place a cap on borrowings as a multiple of a bank's equity.

Although there are ongoing discussions on the definition of the leverage ratio within Europe, and also regarding the leverage coverage framework, firms are required to calculate and monitor their leverage ratios. The accepted definition of the leverage ratio is currently tier 1 capital divided by assets (which include derivatives, SFTs, undrawn balances) with a benchmark of 3% to be adhered to. The Group's capital and exposures are monitored on a daily basis. 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 as at 31 December 2017 was 6.6% (31 December 2016: 6.9%).

The decrease of 0.3% in the leverage ratio is primarily driven by a increase of £275 million in leverage exposure, offset by a decrease in tier 1 capital to £1,808 million at 31 December 2017 (31 December 2016: £1,852 million).

Appendix III: Remuneration at Bank of Ireland (UK) plc

Remuneration restrictions (the 'Remuneration Restrictions')

Bank of Ireland (UK) plc (hereinafter referred to as the 'Group'), as part of the Bank of Ireland Group, is currently operating under a number of remuneration restrictions which cover all directors, senior management, employees and certain service providers. The Remuneration Restrictions were contained within the Covered Institutions Financial Support Scheme 2008 and the 2011 Minister's Letter (the 'Minister's Letter') under which the Bank of Ireland Group gave a number of commitments and undertakings to the Irish Minister for Finance in respect of remuneration practices. The Minister's Letter was a further condition of the Transaction Agreement entered into with the Irish Government (July 2011) during the 2011 Recapitalisation of the Bank of Ireland Group.

These constraints also have an effect on the Group, as a result of which it is currently unable to provide a fixed/variable remuneration mix throughout the Group, which results in risk in terms of attraction, retention and alignment with the needs of the business and some inflexibilities with the cost base. If the Group fails to recruit and retain skilled and qualified people, its businesses may be negatively impacted.

The Group considers itself to be in compliance with these remuneration restrictions.

Remuneration at Bank of Ireland (UK) plc

This section of the Pillar 3 document should be read in conjunction with the Group's Annual Report for 31 December 2017, which provides information on directorships held by members of the management body. Copies of the Group's Annual Report for 31 December 2017 can be obtained from our website www.bankofirelanduk.com.

This section summarises remuneration for individuals identified as material risk takers, "Code Role Holders" in respect of 2017 and provides brief information on the decision-making policies for remuneration and the links between pay and performance in line with the requirements set out in the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) Remuneration Code and in line with the European Banking Authority (EBA) Remuneration Guidelines and other relevant guidelines.

Whereas the Bank of Ireland Group seeks to ensure it operates remuneration policies which are compliant with regulatory guidelines, it is currently operating under significant governmental and legal constraints in relation to remuneration. The Remuneration policy, therefore, can only be implemented to the extent possible given these constraints.

Decision-making process for remuneration policy

The Group's Remuneration Committee holds delegated responsibility from the Board of Directors, for oversight of the Group Remuneration Policy.

During 2017, the Remuneration Committee met twice.

The Remuneration Committee comprises a minimum of three Non-executive Directors who have the knowledge, skills and experience to reach an independent judgement on the suitability of the frameworks, polices and practices including implications for risk and risk management. At least one member of the Remuneration Committee will also be a member of the Board Risk Committee.

Code Role Holders

Under the PRA, FCA and EBA Remuneration Guidelines, the Group is required to maintain a list of individuals identified as material risk takers, "Code Role Holders". This listing is developed and maintained in line with the EBA Guidelines and criteria and is reviewed on a regular basis, at a minimum bi-annually. The EBA criteria are tested against all the Group's employees to determine who was holding a Code Role. As at 31 December 2017 there were 67 Code Role Holders (December 2016: 60).

All staff reporting

The EBA guidelines on Sound Remuneration Policies, effective 1 January 2017, introduced a new reporting requirement of disclosing the aggregate figures on the total number of staff and their total remuneration broken down into fixed and variable remuneration components. The Group reports on all employees at Table 2c. The Group defines all staff as employees whose remuneration is directly paid by the Group.

Appendix III: Remuneration at Bank of Ireland (UK) plc (continued)

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.

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

The Remuneration Restrictions impact the effectiveness of the Group's performance management system as it prevents a strong link between performance and reward. In addition, the lack of variable pay could potentially impact the Group's ability to re-enforce cultural change and the Group's values of:

- Relate to our customers;
- Do the right thing;
- Succeed together; and
- Strive for results.

Bank of Ireland (UK) plc Remuneration Policy

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

In addition the Group's Remuneration Policy seeks to ensure that:

- the Group's efforts are aligned with, and contribute to, the long term strategy, sustainability, value creation and success of the Group;
- the Group has the necessary remuneration philosophy, strategy and frameworks to attract, retain and motivate high calibre employees;
- the Group offers a competitive remuneration package across all markets, in a cost effective manner;
- remuneration frameworks, policies and practices are simple, transparent, easy to understand and implement;
- sound and effective risk management is reflected in performance management and remuneration frameworks and their alignment to performance targets and governance structures;
- remuneration frameworks, policies, processes and practices are aligned with and applied in consideration of 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 either a Group or local business level, ensuring alignment with business strategy, risk measures and priorities and is based on a balanced scorecard approach;
- all remuneration policies are subject to appropriate governance;
- the Group is compliant with all applicable regulatory remuneration requirements as they relate to the Group; and
- remuneration frameworks, policies, practices, processes, procedures, systems and controls support the fair treatment of customers and mitigate the potential for conflict between commercial, customer and public interests, of 'Do the Right Thing, Strive for Results, Relate to our Customers and Succeed Together'.

The Group will continue to seek to ensure that its remuneration policy enables it to be competitive and comprehensively adhere to regulatory principles and guidelines set out by relevant regulatory authorities, including the PRA, FCA and the EBA.

These design features support all remuneration practices across the Group, being applied proportionately depending on the nature, scale and complexity of the particular business area.

Appendix III: Remuneration at Bank of Ireland (UK) plc (continued)

Remuneration expenditure

The following tables show the remuneration awards made by the Group to Code Role Holders in 2017. The remuneration data is prorated for those employees who were newly classified as Code Role Holders during 2017 and for those who were removed from the Code Role list during 2017.

Table 1a - Aggregate 2017 Remuneration Expenditure by Business Area

	No. of coded roles holders as at 31 December 2017	**No. of Employees who held a code role in 2017[1,2]**	**Remuneration expenditure £m**
Non-executive Directors	6	6	0.48*
BOI UK Front Line	11	14	3.57
BOI UK Support Functions	37	41	7.47
Bank of Ireland Group Roles	13	14	-**
Total	**67**	**75**	**11.52**

**Remuneration expenditure includes:*

- *Fixed Pay (Fees, Salaries, Employer Pension Contributions, Car Cash Allowances and other fixed payments and non-monetary benefits) per the EBA Remuneration Guidelines and;*
- *Variable payments (all other payments not defined as fixed pay under the EBA Remuneration Guidelines). (Please note that no variable payments, excluding severance payments were made in 2017).*

1 Data shown for all employees who held a Code Role at any stage in 2017 for the period they held the Code Role.

2 If in the event the Group engages individuals, who are employed by an external company, then the individuals will not be 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.

No individual earned a total remuneration of £880,000 or more in 2017 (€1 million at exchange rate 0.88).

*** In line with the EBA Guidelines and criteria an additional 12 Code Role Holders who are employed by Bank of Ireland Group and are wholly remunerated by Bank of Ireland Group and not by BOI (UK) plc, have been identified. Their remuneration data is not included in these tables, but is reported in the Bank of Ireland Group Pillar 3 disclosure. In addition, there are two other Bank of Ireland Group employees who are Non-Executive Directors of BOI (UK) plc who receive no fees/remuneration in this respect, and therefore no remuneration data is reported.*

Table 1b - Aggregate 2016 Remuneration Expenditure by Business Area

	No. of coded roles holders as at 31 December 2016	No. of Employees who held a code role in 2016[1,2]	Remuneration expenditure £m
Non-executive Directors	5	7	0.49*
BOI UK Front Line	18	23	4.86
BOI UK Support Functions	28	39	6.32
Bank of Ireland Group Roles	9	11	-**
Total	60	80	11.67

**Remuneration expenditure includes:*

- *Fixed Pay (Fees, Salaries, Employer Pension Contributions, Car Cash Allowances and other fixed payments and non-monetary benefits) per the EBA Remuneration Guidelines and;*
- *Variable payments (all other payments not defined as fixed pay under the EBA Remuneration Guidelines). (Please note that no variable payments, excluding severance payments were made in 2016).*

1 Data shown for all employees who held a Code Role at any stage in 2016 for the period they held the Code Role.

2 If in the event the Group engages individuals, who are employed by an external company, then the individuals will not be 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.

No individual earned a total remuneration of £850,000 or more in 2016 (€1 million at exchange rate 0.85).

*** In line with the January 2014 EBA Guidelines and criteria an additional 10 Code Role Holders who were employed by Bank of Ireland Group and are wholly remunerated by Bank of Ireland Group and not by BOI (UK) plc, were identified. Their remuneration data was not included in these tables, but was reported in the Bank of Ireland Group Pillar 3 disclosure. In addition, there was one other Bank of Ireland Group employee who was a Non-Executive Director of BOI (UK) plc in 2016 who received no fees/remuneration in this respect, and therefore no remuneration data was reported.*

Appendix III: Remuneration at Bank of Ireland (UK) plc (continued)

Analysis of 2017 Remuneration between Fixed and Variable Amounts (actually paid in 2017)

Table 2a- Senior Managers (Senior Management Team for UK plc) Remuneration Table

(Note: there were 10 Senior Managers in Code Roles in 2017)

Total value of remuneration in 2017	Non-deferred £m	Deferred £m
Fixed Remuneration[1]		
Cash based	3.25	-
Shares and share-linked instruments	-	-
Other	0.35	-
Variable Remuneration		
Cash based[2]	-	-
Shares and share-linked instruments	-	-
Other	-	-

Table 2b - All Other Risk Roles (NEDs & All Other Code Staff in UK plc) Remuneration Table

(Note: there were 51 Code Roles (excluding Senior Managers) in 2017)

Total value of remuneration awarded in 2017	Non-deferred £m	Deferred £m
Fixed Remuneration[1]		
Cash based	7.19	-
Shares and share-linked instruments	-	-
Other	0.39	-
Variable Remuneration		
Cash based[2]	0.28	0.06[3]
Shares and share-linked instruments	-	-
Other	-	-

[1] *Fixed remuneration 2017: fees, salaries, employer pension contribution amounts, car allowances and other payments.*
[2] *Cash based 2017: Severance pay.*
[3] *Deferred 2017: Deferred severance payments (Voluntary Early Leaving)*
The fixed to variable remuneration ratio for 2017 was 0.97 : 0.03

Appendix III: Remuneration at Bank of Ireland (UK) plc (continued)

Table 2c - All staff in BOI (UK) plc remuneration table
(Note: there were 715[1] staff in BOI (UK) plc in 2017)

Total value of remuneration awarded in 2017	Non-deferred £m	Deferred £m
Fixed Remuneration[2]		
Cash based	48.75	
Shares and share-linked instruments	-	
Other	-	
Variable Remuneration		
Cash based[3]	0.95	0.28
The cash based remuneration is made up of:		
Performance related[4]	0.28	-
Non performance related (severance)[5]	0.67	0.28
Shares and share-linked instruments	-	-
Other	-	-

1 *Average fulltime equivalent (FTE) during the year.*
2 *Fixed remuneration 2017: fees, salaries, employer pension contribution amounts, car allowances and other payments.*
3 *Cash based 2017: Severance pay and commission.*
4 *Performance related: Commission (Northridge only)*
5 *Non performance related (severance): Severance payments (Voluntary Parting) amd deferred severance payments (Voluntary Early Leaving)*

2017 New sign-on and severance payments for Code Role holders

- No payments were made to any Code Role Holders hired during 2017 relating to the commencement of their employment.
- During the course of the year, two individuals designated as Code Role Holders received severance payments.
- The total value of payments made to the Code Role Holder population, comprising Statutory Redundancy, Voluntary Parting Payments, pay in lieu of notice, and Annual Leave payment was £0.34 million.
- The highest individual payment made to a departing Code Role Holder, was £0.19 million, which was comprised of Voluntary Parting, Statutory Redundancy and annual leave payment.
- The above payments are included in the previous tables.

Appendix IV: Disclosure reference table

The Group's Annual Report for the year ended 31 December 2017 can be accessed on the Group's website - www.bankofirelanduk.com

The reference table below details, by subject area, the qualitative and quantitative disclosures incorporated in the Pillar 3 document and the Group's Annual Report.

Subject Area	CRR Article	Pillar 3	Annual Report
Risk management objective and policies	CRR 435	Risk management (page 20) Capital management (page 11)	Section 1.8 - Strategic report Risk management report
Own funds	CRR 437	Capital resources (page 14-18)	Section 1.7.12 - Strategic report
Capital requirements	CRR 438	Capital requirements / risk weighted assets (page 12-13) Exposure to credit risk (page 21-24)	Section 1.7.12 - Strategic report
Capital buffers	CRR 440	Capital management (page 11) Countercyclical buffer (page 19)	
Credit risk adjustments	CRR 442	Specific credit risk adjustments (provisions) (page 27)	Section 2.1 - Risk management report
Remuneration policy	CRR 450	Appendix III	Section 1 - Risk management report
Leverage	CRR 451	Appendix II	Section 1.7.12 - Strategic report
Use of credit risk mitigation techniques	CRR 453	Credit risk mitigation for risk management purposes (page 20 and 29) Credit risk mitigation for capital requirements calculation (page 20 and 29)	Section 2.1.3 - Risk management report

Glossary

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 persuit of the business of credit institutions together with Directive 2006/49/EC on the capital adequency 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.
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 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.
CVA	Credit Value Adjustments.
EBA	The European Banking Authority, formerly CEBS (the Committee of European Banking Supervisors).
Export Credit Agency (ECA)	An Export Credit Agency is an agency in a creditor country that provides insurance, guarantees, or loans for the export of goods and services. CRD IV limits the use of ECA credit assessments to exposures to central governments and central banks. Therefore, credit institutions are allowed to use ECA credit assessments to calculate the risk weight of their exposures to central governments and central banks, in addition to ECAIs' credit assessments for other types of exposures.
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.
Exposure at Default (EAD)	The estimated value of the Group's exposure at the moment of the borrower's default determined by 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.
FCA	The Financial Conduct Authority.
IBNR	Incurred but not reported provisions.
IFRS	International Financial Reporting Standards.
Leverage Ratio	The leverage ratio is a monitoring tool which allows competent authorities to assess the risk of excessive leverage in their respective institutions.
MDB	Multilateral Development Bank.

Glossary (continued)

Net Value	For on balance sheet items the net values is the gross carrying value of exposure less allowance or impairments. For off balance sheet items the net value is the gross carrying value of exposure less provision
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).
PRA	The Prudential Regulation Authority.
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.

Standardised Exposure Classes

• *Retail:*	Exposures must be to an individual 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 £880,000 (€1 million at exchange rate 0.88).
• *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:*	Short term exposures to an Institution or Corporate.
• *Other items:*	Exposures not falling into the other exposure classes outlined.