

**Bank of Ireland (UK) plc**

# **Pillar 3**

# **Disclosures**

For the year ended  
31 December 2014



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# 1. Introduction

## 1.1 Background

Bank of Ireland (UK) plc, 'the Bank', the principal operating subsidiary of the Bank of Ireland Group in the UK, is regulated by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA). The Bank is one of the largest challenger consumer banking franchises in the UK with c.3 million customers and is the exclusive financial services partner of the UK Post Office.

This disclosure report is based on the Bank of Ireland (UK) plc consolidated regulatory Group referred to and described as 'the Group' throughout this document.

'Basel III' is a comprehensive set of reform measures, developed by the Basel Committee on Banking Supervision, to strengthen the regulation, supervision and risk management of the banking sector. These measures aim to:

- improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source;
- improve risk management and governance; and
- strengthen banks' transparency and disclosures.

The Capital Requirements Directive (CRD IV) and the Capital Requirements Regulation (CRR) were published in the Official Journal of the EU on 27 June 2013. In December 2013 CRD IV was formally transposed into UK legislation. The Capital Requirements Regulations 2013 and associated measures give effect to a number of technical requirements in order that the CRD IV can operate effectively in UK law.

The Group is required to comply with CRD IV disclosure requirements at 31 December 2014. For ease of reference, the CRD IV requirements are referred to as 'Pillar 3' in this document. Pillar 3 contains both qualitative and quantitative disclosures.

CRD IV also includes requirements for regulatory and technical standards to be published by the European Banking Authority (EBA). Many of these have not yet been published or their impact is uncertain. The CRD IV legislation is being implemented on a phased basis from 1 January 2014, with full implementation from 1 January 2019.

CRD IV focuses on credit institutions' underlying risks and on the three 'pillars' set out below:

**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. For credit risk the Group adopts the standardised approach.

**Pillar 2** is concerned with the supervisory review process. It 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. The Internal Capital Adequacy Assessment Process (ICAAP) is prepared by the Group on an annual basis in line with Pillar 2 requirements. This is a forward looking document which assesses the Group's risk appetite, tolerance and strategy. Pillar 2 covers management's assessment of the additional capital resources required to cover specific risks faced by the institution that are not covered by the minimum regulatory capital resources requirement set out under Pillar 1. The amount of additional capital requirement is assessed by the Prudential Regulation Authority (PRA) during its Supervisory Review and Evaluation Process (SREP).

**Pillar 3** is intended to complement Pillar 1 and Pillar 2. It requires that financial

institutions disclose information annually on the scope of application of the CRD IV requirements, capital requirements, capital resources, risk exposures and risk assessment process.

The Group's Pillar 3 document is a technical paper which should be read in conjunction with the Group's Annual Report for the year ended 31 December 2014 (hereafter referred to as the 'Group's Annual Report'). The Group's Annual Report is referred to periodically throughout this document.

This document addresses the Group's Pillar 3 disclosure requirements through the provision of information incremental to the Group's Annual Report, or by making reference to the appropriate section of the Group's Annual Report. The Group's qualitative disclosure requirements are largely met in the Strategic Report and Risk Management sections 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 addressed in the Group's Annual Report. This document should therefore be read in conjunction with the Group's Annual Report.

The Group's Pillar 3 disclosures have been prepared in accordance with the CRD IV and CRR as implemented into UK law and in accordance with the Group's Pillar 3 Disclosure Policy. Information which is sourced from the Group's Annual Report have been subject to audit by the Group's external auditors and is subject to internal sign-off procedures. Disclosures which cannot be sourced from the Group's Annual Report are subject to several layers of verification. In addition this Pillar 3 document is subject to a robust governance process including final approval by the Board Risk Committee (BRC).

<sup>1</sup> The Group's Annual Report includes the results of First Rate Exchange Services Holdings Limited and Bank of Ireland Trustee Co. Ltd. which are not reported in the regulatory reporting Group.

## 1.2 Scope of Application

The Group complied with the PRA's prudential capital regulations, as set out in CRD IV and CRR and supported by EBA Regulatory Technical Standards (RTS) and PRA Policy Statements throughout the year. This disclosure is presented in respect of the year to 31 December 2014.

The Group's Pillar 3 Disclosure complies with European Banking Authority (formerly Committee of European Banking Supervisors (CEBS)) requirements for member state disclosures on capital and risk weighted assets.

Reduced disclosure requirements apply to significant subsidiaries of EU banking parents in accordance with Article 13(1) of regulation (EU) No.575/2013. The Group has adopted the aforementioned reduced disclosure requirements for significant subsidiaries of EU parent institutions as

set out in the CRR in the preparation of this disclosure.

Article 13(1) sets out the areas to be covered by the Group's Pillar 3 disclosure, specifically the firm's own funds, capital requirements, capital buffers, credit risk adjustments, remuneration policy, leverage and use of credit risk mitigation techniques.

The topics covered are also dealt with in the Group's Annual Report and cross-referencing to relevant sections in that document is provided in Appendix 2. In some areas more detail is provided in these Pillar 3 disclosures. For instance, the section on Capital (Section 2) includes required disclosures on own funds and capital instruments and the section on Credit Risk (Section 3) includes additional information on portfolio segments such as geographic and industry analysis.

It should be noted that while some quantitative information in this document is based on financial data in the Group's Annual Report, other quantitative data is sourced from the Group's regulatory reporting processes, which may be calculated according to a different set of rules. The difference between the data sourced from the Group's Annual Report and that sourced from the Group's regulatory reporting process is most evident for credit risk disclosures where Pillar 3 disclosures require the use of Exposure At Default (EAD). EAD is defined as the expected amount of exposure at default. It is reported net of provisions and includes consideration of any off balance sheet exposure adjusted by a regulatory credit conversion factor. Pillar 3 quantitative data is thus not always comparable with the quantitative data contained in the Group's Annual Report.

## 1.3 Frequency & Location

The Group's Pillar 3 disclosure is published on an annual basis. The Pillar 3 disclosure document is published on

[www.bankofirelanduk.com](http://www.bankofirelanduk.com). The frequency of disclosure will be reviewed should there be a material change in any approach

used for the calculation of capital, business structure or regulatory requirements.

## 1.4 Verification

These Pillar 3 disclosures are not subject to external audit, except where they are

extracted from the Group's audited Annual Report and Accounts dated 31 December

2014. These Pillar 3 disclosures are approved by the BRC.

## 1.5 Supervision

The Group is subject to regulation by the Prudential Regulatory Authority (PRA) and the Financial Conduct Authority (FCA).

## 1.6 Key Capital Ratios

Tables 1.1 and 1.2 outline the Group's key capital resources and capital ratios as at 31 December 2014 and the transitional impacts of Basel III / CRD IV.

**Table 1.1 - Risk weighted assets and regulatory capital**

Basel II		Basel III / CRD IV	Basel III / CRD IV	
Transitional 31 December 2013 £m	Transitional 1 January 2014 £m		Transitional 31 December 2014 £m	Proforma fully implemented 31 December 2014 £m
10,618	10,219	Risk weighted assets	9,747	9,747
1,165	1,014	Common equity tier 1 (CET 1)	1,236	1,239
1,418	1,254	Total tier 1 capital	1,476	1,239
2,157	1,972	Total capital	2,194	2,197

**Table 1.2 - Key capital and leverage ratios**

Basel II		Basel III / CRD IV	Basel III / CRD IV	
Transitional 31 December 2013 (ratios)	Transitional 1 January 2014 (ratios)		Transitional 31 December 2014 (ratios)	Proforma fully implemented 31 December 2014 (ratios)
11.0%	9.9%	Common equity tier 1 (CET 1)	12.7%	12.7%
13.4%	12.3%	Total Tier 1	15.1%	12.7%
20.3%	19.3%	Total capital	22.5%	22.5%
n/a	3.2%	Leverage ratio	4.40%	3.63%

### Basel III / CRD IV

The CRD IV rules result in a number of new deductions from CET 1 capital. In December 2013, the PRA issued guidance on the transitional implementation of CRD IV which directed UK banks to apply CET 1 capital deductions at 100% from January 2014. Other transitional impacts are to be implemented on a phased basis as per the legislation.

### Capital Overview

At all times during the financial year the Group maintained appropriate capital resources in line with regulatory requirements. The Group is strongly capitalised and at 31 December 2014 had a total regulatory capital base of £2,194 million. During the year, the Group received £15 million by means of a capital contribution in respect of historic taxation losses transferred from the Parent. The Group continues to have an active

approach to capital management, the focus of which is to ensure adequate capital to support future business plans.

As at 31 December 2014 no requirement for the counter-cyclical capital buffer was specified.

### Risk weighted assets (RWAs)

RWAs at 31 December 2014 of £9.7 billion compare to RWA of £10.2 billion at 1 January 2014. Reductions in RWA are primarily due to a realignment of risk in the portfolio associated with the deleverage of commercial GB assets and the growth in lower risk mortgage assets.

### Capital Ratios

The Common equity tier 1 (CET 1) ratio is 12.7% and the Total capital ratio is 22.5% at 31 December 2014 on both a Basel III / CRD IV transitional and proforma full implementation basis. Further details on

the change in capital resources through 2014 can be found in section 2.2.

### Leverage ratio

The leverage ratio is 4.40% on a Basel III / CRD IV transitional basis and 3.63% on a proforma full implementation basis. The Group expects to remain above the Basel Committee indicated minimum level leverage ratio of 3% on a transitional basis and on a proforma implementation basis. The Basel committee will monitor the proposed 3% minimum requirement for the leverage ratio and has proposed that final calibrations and any further adjustments to the definition of the leverage ratio will be completed by 2017, with a view to migrating to the Pillar 1 treatment on 1 January 2018.

## 1.7 Risk Management

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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. The Group has identified key risks as outlined in section 1.7 of the Strategic Report,

within the Group's Annual Report. Details regarding how these risks are managed, measured and monitored are provided in the Risk Management Report from page 30 of the Group's Annual Report. The Group's risk objectives are also set out in section 1.3 of the Risk Management Report.

The Group's approach to risk management is approved by the BRC and the Board.

## 2. Capital

### Key points:

- Common equity tier 1 (CET 1) ratio is 12.7% at 31 December 2014 under both the Basel III / CRD IV transitional and proforma full implementation basis.
- Leverage ratio is 4.40% under the Basel III / CRD IV transitional basis and 3.63% on a proforma full implementation basis.
- Effective capital management is critical to the Group's ability to manage its businesses, grow organically and achieve its strategy.
- The Group operates a robust capital management framework.
- The Group has complied with all its regulatory capital requirements throughout 2014.

### Capital management

The Group's capital management objectives are to comply with regulatory capital requirements at all times, and to ensure that the Group has sufficient capital to cover the risks of its business and to support its strategy. Capital adequacy and its effective management is critical to the Group's ability to operate its businesses, to grow organically and to 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 / quality of capital held is insufficient due to 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 risk weighted assets and delays in the disposal of certain assets as a result of market conditions).

### Capital requirements and capital resources

The Group complied with all of its regulatory capital requirements throughout 2014. The Group manages its capital resources to ensure that the overall amount and quality of resources exceeds the Group's capital requirements. The Group's capital requirements are primarily driven by credit risk (including credit concentration risk) and operational risk. The Group's capital requirements also incorporate a regulatory capital planning buffer, the size of which is determined by stress testing as part of the ICAAP process.

### Stress testing and capital planning

The Group 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. In addition, stress testing provides a key input to the Group's capital assessments and related risk management and measurement assumptions. The Group's stress testing is designed to

- confirm the Group has sufficient capital resources;
- ensure the Group remains within its risk appetite;
- ensure the alignment between the Group's risk management framework and senior management decision making; and
- provide sufficiently severe and forward looking scenarios.

The Group regularly assesses its existing and future capital adequacy under a range of scenarios, using a combination of quantitative and qualitative analyses in the ICAAP, which is reviewed by the regulator on a periodic basis. The ICAAP, which acts as a link between the Group's strategy, capital and risk under stress, is approved annually by the Board.

The Group also performs reverse stress testing, primarily a qualitative process to derive severe stress scenarios which would breach the Group's ability to survive unassisted, thus helping to define risk tolerance boundaries for the business. As such it complements the existing ICAAP processes, helping to improve risk identification and risk management more generally.

Reverse stress testing scenario selection, assumptions and results are approved by the Board, alongside the Group's ICAAP.

As part of the Group's capital planning processes, forecast planning assumptions (including the targeted level of capital based upon risk appetite) are reviewed and challenged on a monthly basis by management. The Group's capital plan (which is approved at least annually by the Board) also includes key risk sensitivities to ensure the continued resilience of the underlying assumptions under adverse conditions.



## 2.1 Capital Requirements / Risk Weighted Assets

Table 2.1 shows the amount of capital the Group is required to set aside to meet the minimum total capital ratio of 8% of RWAs set by the CRR.

Table 2.1 - Breakdown of the Group's regulatory capital requirement	31 December 2014			31 December 2013		
	Capital requirement £m	RWA £m	Exposure at default £m	Capital requirement £m	RWA £m	Exposure at default £m
Central governments or central banks	-	-	4,550	-	-	5,306
Multinational development banks	-	-	412	-	-	340
Institutions	5	59	225	6	78	291
Corporates	161	2,015	2,212	237	2,945	2,878
Retail	77	965	1,372	77	964	1,288
Secured by mortgages on residential property	402	5,019	14,070	377	4,713	12,988
Defaults	73	918	767	89	1,113	880
Other items	10	129	386	20	261	440
<b>Credit and Counterparty Risk</b>	<b>728</b>	<b>9,105</b>	<b>23,993</b>	<b>806</b>	<b>10,074</b>	<b>24,412</b>
<b>Operational Risk</b>	<b>51</b>	<b>643</b>	<b>-</b>	<b>43</b>	<b>544</b>	<b>-</b>
<b>Total</b>	<b>780</b>	<b>9,747</b>	<b>23,993</b>	<b>849</b>	<b>10,618</b>	<b>24,412</b>

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

The Group does not operate a trading book and therefore has no trading risk exposure. It does however calculate a small capital requirement for its foreign exchange position risk.

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

## 2.2 Capital Resources

Table 2.2 sets out the Group's capital position as at 31 December 2014. This table shows a reconciliation between the reported capital in the Group's Annual Report and Regulatory Capital.

	Statutory Group Balance Sheet 31 December 2014 £m	Regulatory Group Balance Sheet 31 December 2014 £m
<b>Table 2.2 - Reconciliation of Accounting Capital to Regulatory Capital</b>		
<b>Capital Base</b>		
<b>Total equity</b>	<b>1,467</b>	<b>1,405</b>
- Ordinary share capital	851	851
- Capital Contribution <sup>1</sup>	401	399
- Retained Earnings <sup>2</sup>	186	125
- Cash flow hedge reserve	26	26
- Available for sale reserve	3	3
<b>Common equity tier 1 (CET 1) capital regulatory adjustments:</b>	<b>(175)</b>	<b>(169)</b>
- Deferred tax assets relying on future profitability <sup>3</sup>	(105)	(98)
- Intangible assets	(39)	(39)
- Cash flow hedge reserve	(26)	(26)
- Qualifying holdings outside the financial sector	(3)	(3)
- Available for sale reserve gains	(3)	(3)
<b>Common equity tier 1 capital</b>	<b>1,292</b>	<b>1,236</b>
Non-cumulative callable preference shares	300	240
<b>Total Tier 1 capital</b>	<b>1,592</b>	<b>1,476</b>
Subordinated liabilities (note 28 of the Group Annual Report)	658	658
Grandfathered non-cumulative callable preferences shares	-	60
<b>Total Tier 2 capital</b>	<b>658</b>	<b>718</b>
<b>Total capital base</b>	<b>2,250</b>	<b>2,194</b>

The regulatory reporting Group of Bank of Ireland (UK) plc is made up of the Bank and its subsidiaries comprising the NIIB Group.

<sup>1</sup> The £2 million difference in capital contribution relates to statutory accounting consolidation adjustments for NIIB, one of the Group's subsidiaries.

<sup>2</sup> Of the £61 million difference in retained earnings, £60 million relates to statutory accounting consolidation adjustments for First Rate Exchange Service Holdings Limited (FRESH), the Group's jointly controlled entity and the remaining £1 million relates to statutory accounting consolidation adjustments for Bank of Ireland Trustee Co. Ltd., one of the Group's subsidiaries. Neither FRESH nor Bank of Ireland Trustees form part of the Group's regulatory reporting group.

<sup>3</sup> Statutory Group Balance Sheet deferred tax asset includes c.£6 million of deferred tax asset that is not reliant on future profitability and hence not deductible from CET 1 but rather is risk weighted at 250%.

## 2.2 Capital Resources (continued)

Table 2.3 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 risk weighted assets, 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.

**Table 2.3 Transitional own funds disclosure template**

ANNEX VI Reference	CRD IV 31 December 2014 £m	Amounts subject to pre-regulation (EU) No 575/2013 Treatment or Prescribed Residual Amount of Regulation (EU) No 575/2013
<b>Common equity tier 1 capital: Instruments and reserves</b>		
1 Capital Instruments and the related share premium accounts <i>Of which: Ordinary stock</i>	851	
2 Retained Earnings	125	
3 Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	429	
<b>6 Common Equity Tier 1 (CET 1) Capital before regulatory adjustments</b>	<b>1,405</b>	
<b>Common equity tier 1 (CET 1) capital regulatory adjustments</b>		
8 Intangible assets (net of related tax liability) (negative amount)	(39)	
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)	(98)	
11 Fair value reserves related to gains or losses on cashflow hedges	(26)	
20a Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	(3)	
20b <i>of which: qualifying holdings outside the financial sector (negative amount)</i>	(3)	
26a Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468 <i>of which : unrealised gains on non-sovereign bonds</i> <i>of which : unrealised gains on sovereign bonds</i>	(3) (1) (2)	
<b>28 Total regulatory adjustments to Common equity tier 1 (CET 1)</b>	<b>(169)</b>	
<b>29 Common equity tier 1 (CET 1) Capital</b>	<b>1,236</b>	
<b>Additional Tier 1 (AT1) Capital: instruments and provisions</b>		
33 Amount of qualifying items referred to in Articles 484 (4) and the related share premium accounts subject to phase out of the AT1	240	(240)
<b>36 Additional Tier 1 (AT1) Capital before regulatory adjustments</b>	<b>240</b>	<b>(240)</b>

## 2.2 Capital Resources (continued)

Table 2.3 Transitional own funds disclosure template (continued)	CRD IV 31 December 2014 €m	Amounts subject to pre-regulation (EU) No 575/2013 Treatment or Prescribed Residual Amount of Regulation (EU) No 575/2013
<b>Additional Tier 1 (AT1) Capital: regulatory adjustments</b>		
43 Total regulatory adjustments to additional Tier 1 (AT1) Capital	-	
44 Additional Tier 1(AT1) Capital	240	(240)
45 Tier 1 capital (T1 = CET 1 +AT1)	1,476	(240)
<b>Tier 2 (T2) Capital: instruments and provisions</b>		
46 Capital instruments and the related share premium accounts	958	
47 Amount of qualifying items referred to in article 484 (5) and the related share premium accounts subject to phase out from T2	(240)	240
51 Tier 2 (T2) capital before regulatory adjustments	718	240
<b>Tier 2 (T2) capital: regulatory adjustments</b>		
57 Total regulatory adjustments to Tier 2 (T2) capital	-	
58 Tier 2 (T2) Capital	718	240
59 Total Capital (TC = T1+T2)	2,194	-
60 Total Risk Weighted Assets	9,747	
<b>Capital Ratios and buffers</b>		
61 Common equity tier 1 (as a percentage of total risk exposure amount)	12.7%	
62 Tier 1 (as a percentage of total risk exposure amount)	15.1%	
63 Total capital (as a percentage of total risk exposure amount)	22.5%	
64 Institution specific buffer requirement (CET 1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	4.5%	
65 of which: capital conservation buffer requirement	-	
66 of which: countercyclical buffer requirement	-	
67 of which: systemic risk buffer requirement	-	
67a of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-	
68 Common equity tier 1 available to meet buffers (as a percentage if risk exposure amount)	8.2%	
<b>Capital Instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)</b>		
82 Current cap on AT1 instruments subject to phase out arrangements	240	
83 Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	60	

## 2.2 Capital Resources (continued)

This section provides commentary on the key movements in CRD IV capital resources during the year ended 31 December 2014 commencing with the 1 January 2014 proforma CRD IV resources. Table 2.4 also provides a capital flow statement outlining the movements in the CRD IV regulatory capital tiers.

<b>Table 2.4 Movement in total regulatory capital</b>	<b>Transitional 31 December 2014 £m</b>
<b>Opening Common equity tier 1 capital</b>	1,014
Ordinary shares issued	-
Capital contribution	15
Contribution to Common equity tier 1 capital from profit / (loss)	168
Other, including regulatory adjustments	38
<b>Closing Common equity tier 1 capital</b>	<b>1,236</b>
<b>Opening and closing Additional tier 1 capital at 1 January 2014 and 31 December 2014</b>	<b>240</b>
<b>Total tier 1 capital</b>	<b>1,476</b>
<b>Opening and closing Tier 2 capital at 1 January 2014 and 31 December 2014</b>	<b>718</b>
<b>Closing total regulatory capital</b>	<b>2,194</b>

**Total Common equity tier 1 capital** increased by £222 million during 2014 from £1,014 million at 1 January 2014 to £1,236 million at 31 December 2014. This was primarily due to the Group's profit for the year of £168 million. In addition, the Group received £15 million by means of a capital contribution during the year, in respect of historic losses transferred from the Parent. The movement in Other (including regulatory adjustments) is primarily due to a decrease in Deferred tax asset and Intangible Asset deductions of £27 million and £7 million respectively.

**Additional tier 1 capital** at 31 December 2014 was £240 million, unchanged from 1 January 2014. This reflects a reduced holding of £300 million preference shares recognisable as Additional tier 1, as 20% of the holding amortised into Tier 2 at 1 January 2014, increasing by a further 10% per annum. The impact of amortisation of the preference shares on the proforma fully implemented Tier 1 capital ratio is a reduction from a transitional ratio of 15.1% to 12.7% (see table 1.2). Details of the capital instruments are described in Table 2.5.

**Tier 2 debt (dated and undated)** totalled £718 million at 31 December 2014, unchanged from 1 January 2014. This capital stock comprises £658 million of subordinated debt and £60 million of preference shares amortised into Tier 2 under the CRD IV transitional rules. These instruments are described in Table 2.5.

## 2.3 Capital Instruments

Table 2.5 provides information on the Group's debt structure per Article 5 of commission regulation EU no. 1423/2013.

## Annex II (commission regulation EU no. 1423 / 2013)

Table 2.5 - Capital instruments' main features template (1)

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 (eg CUSIP, ISIN or Bloomberg identifier for private placement)	n/a	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a
3	Governing law(s) of the instrument Regulatory treatment	English law	English law	English law	English law	English law	English law	English law	England and Wales	England and Wales
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Phased out of Tier 1 into Tier 2 on amortised basis	Common equity tier 1	Common equity tier 1	Common equity tier 1	Common equity tier 1
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Common equity tier 1	Common equity tier 1	Common equity tier 1	Common equity 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)	Subordinated Loan Facility Agreement	Subordinated Loan Facility Agreement	Subordinated Loan Facility Agreement	Subordinated Loan Facility Agreement	Non-Cumulative Callable Preference Shares	Ordinary Shares	Ordinary Shares	Ordinary Shares	Ordinary Shares
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	£45m	£90m	£262m	£261m	£300m	£581m	£175m	£10m	£35m
9	Nominal amount	£45m	£90m	£262m	£261m	£300m	£581m	£175m	£10m	£35m

## Annex II (continued)

Table 2.5 - Capital instruments' main features template (1)

	Issue price	n/a	n/a	n/a	n/a	n/a	100% of nominal	£1 each	£1 each	£1 each	£1 each	£1 each
9a		Repayment of Loan in full	Repayment of Loan in full	Repayment of Loan in full	Repayment of Loan in full	Repayment of Loan in full	Nominal Amount	Non-redeemable	Non-redeemable	Non-redeemable	Non-redeemable	Non-redeemable
9b	Redemption price	Liability - Amortised Cost	Liability - Amortised Cost	Liability - Amortised Cost	Liability - Amortised Cost	Liability - Amortised Cost	Equity	Equity	Equity	Equity	Equity	Equity
10	Accounting classification	19 December 2012	16 July 2012	7 October 2010	6 October 2010	7 October 2010	Equity	21 December 2011	16 July 2012	19 December 2011	3 April 2013	Equity
11	Original date of issuance	Dated	Dated	Dated	Dated	Dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
12	Perpetual or dated	10th anniversary of the drawdown date i.e. 19 December 2022	10th anniversary of the drawdown date i.e. 16 July 2022	7 October 2020	7 October 2020	7 October 2020	No Maturity	No Maturity	No Maturity	No Maturity	No Maturity	No Maturity
13	Original maturity date	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No
14	Issuer call subject to prior supervisory approval	5 years	5 years	5 years	5 years	5 years	Optional redemption on dividend payment date falling on 31 March 2016. Nominal Amount.	n/a	n/a	n/a	n/a	n/a
15	Optional call date, contingent call dates, and redemption amount	On any interest date post 5 year call	On any interest date post 5 year call	On any interest date post 5 year call	On any interest date post 5 year call	On any interest date post 5 year call	At 31 March 2016 and on any Dividend payment date thereafter	n/a	n/a	n/a	n/a	n/a
16	Subsequent call dates, if applicable	Floating	Floating	Floating	Floating	Floating	Fixed %	Dividends	Dividends	Dividends	Dividends	Dividends
17	Coupons / dividends fixed or floating dividend / coupon	6mth Libor +9%	6mth Libor +11%	6mth Libor +6.5%	6mth Libor +6.5%	6mth Libor +6.5%	13%	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	As per the earnings per share calculation
18	Coupon rate and any related index	n/a	n/a	n/a	n/a	n/a	No	No	No	No	No	No
19	Existence of a dividend stopper											

## Annex II (continued)

Table 2.5 - Capital instruments' main features template (1)

20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Fully discretionary	No	No	No	No	No	No
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Fully discretionary	No	No	No	No	No	No
21	Existence of step up or other incentive to redeem	No	No	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	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-Convertible	Non-Convertible	Non-Convertible	Non-Convertible	Non-Convertible	Non-Convertible	Non-Convertible	Non-Convertible	Non-Convertible	Non-Convertible	Non-Convertible
24	If convertible, conversion trigger (s)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
25	If convertible, fully or partially	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
26	If convertible, conversion rate	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
27	If convertible, mandatory or optional conversion	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
28	If convertible, specify instrument type convertible into	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
29	If convertible, specify issuer of instrument it converts into	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
30	Write-down features	No	No	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	n/a	n/a



Annex II (continued)

Table 2.5 - Capital instruments' main features template (1)

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	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	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	n/a	n/a	n/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Notwithstanding any other provision in this Agreement if any order is made or effective resolution passed for the winding-up of the Borrower: (a) the Loan Debt will be subordinated to the Senior Claims; and (b) the Lender shall be entitled to receive and retain (whether by means of a claim in the winding up of the borrower, the operation of set-off or otherwise) any amount in respect of the Loan Debt only if and to the extent that the Borrower is solvent both at the time of and immediately after the payment of such amount;	The Loan debt will be subordinated to the Senior Claims (means all present and future liabilities of the Borrower (whether actual or contingent, joint or several or otherwise and including claims of depositors) other than (a) those in respect of the Loan debt, (b) any other liabilities of the Borrower which, by the terms of the instrument evidencing such liabilities or under which the same are outstanding, rank (or are expressed to rank) (i) pari passu with the Loan debt or (ii) subordinate and junior in right of payment to the Loan debt and (c) for the avoidance of doubt, those in respect of any of its share capital)	On a winding-up or other return of capital of the Issuer, the assets of the Issuer available to shareholders shall be applied in priority to any payment to the holders of ordinary shares and any other class of shares in the capital of the Issuer then in issue ranking junior to the Preference Shares on such return of capital and pari passu on such return of capital with the holders of any other class of shares in the capital of the Issuer then in issue.	Most junior	Most junior	Most junior	Most junior	Most junior	Most junior	Most junior	Most junior	Most junior
36	Non-compliant transitioned features	No	No	No	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	n/a	n/a	n/a

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## 3. 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. Credit risk includes default risk, recovery risk, counterparty risk, cross border (or transfer) risk, country risk, credit 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, in the form of counterparty credit risk, 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 / 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 processes facilitate 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 / 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 formulae to credit exposures to calculate capital requirements.

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

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### 3.1 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 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 (e.g. securitisation and collateralisation).

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### 3.2 Credit Risk Mitigation for Capital Requirements Calculation

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, fully secured

mortgages) based on the LTV of the property. The Group complies fully with the requirements of CRR Article 125.

### 3.3 Credit Risk: Disclosures

#### 3.3.1 Maximum Exposure to Credit Risk

Table 3.1 shows the Exposure at Default (EAD) by standardised asset class as at 31 December 2014 and 31 December 2013.

Exposure Class	31 December 2014		31 December 2013	
	Total exposure (EAD) £m	Average exposure over the year (EAD) £m	Total exposure (EAD) £m	Average exposure over the year (EAD) £m
Central governments or central banks	4,550	4,679	5,306	5,639
Multilateral development banks	412	402	340	308
Corporates	2,212	2,445	2,878	3,039
Retail	1,372	1,353	1,288	1,267
Secured by mortgages on residential property	14,070	13,908	12,988	12,979
Exposure at Defaults	767	854	880	1,070
Institutions	225	264	291	352
Other items	386	284	440	31
<b>Total</b>	<b>23,993</b>	<b>24,190</b>	<b>24,412</b>	<b>24,968</b>

Total EAD reduced in the period by £419 million. This reduction is largely attributable to:

- decreases in commercial lending primarily reflecting business banking deleverage activity in the GB portfolio;
- reduction in exposure to Bank of England due in part to the acquisition of high quality mortgage assets from the Parent, offset somewhat by increased mortgage origination activity.

#### 3.3.2 Geographic Analysis of Exposure

The Group has two primary markets, Great Britain and Northern Ireland. Table 3.2 shows the geographic location of credit risk exposures based on EAD.

Table 3.2 Geographic analysis of exposure

	31 December 2014				31 December 2013			
	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	-	4,513	37	4,550	163	5,108	36	5,306
Multilateral development banks	-	-	412	412	-	-	340	340
Corporates	1,209	1,003	-	2,212	1,417	1,460	-	2,878
Retail	474	898	-	1,372	421	868	-	1,288
Secured by mortgages on residential property	551	13,519	-	14,070	533	12,455	-	12,988
Defaults	506	260	-	767	554	326	-	880
Institutions	-	-	225	225	9	3	280	291
Other items	-	-	386	386	-	-	440	440
<b>Total</b>	<b>2,740</b>	<b>20,193</b>	<b>1,060</b>	<b>23,993</b>	<b>3,098</b>	<b>20,220</b>	<b>1,096</b>	<b>24,412</b>

### 3.3.3 Industry Analysis of Exposure

Tables 3.3 and 3.4 show the Exposure at Default (EAD) split by the industry classification based on the purpose of the loan. Similar headings to those in the industry analysis contained in the Group's Annual Report have been used. However, the values shown below will differ from the Group's Annual Report as these tables are based on EAD rather than on an accounting basis as used in the Group's Annual Report.

**Table 3.3 - Industry Analysis of Exposure**

31 December 2014 Exposure Class	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	4,550	-	-	-	-	-	-	-	-	-	4,550
Multilateral development banks	-	-	-	-	-	412	-	-	-	-	412
Corporates	-	1	101	139	40	610	1,193	77	1	50	2,212
Retail	-	-	1,009	14	108	208	19	12	1	1	1,372
Secured by mortgages on residential property	-	14,070	-	-	-	-	-	-	-	-	14,070
Defaults	-	164	19	11	1	94	470	6	-	1	767
Institutions	-	-	-	-	-	-	-	-	-	225	225
Other	-	-	-	-	-	-	-	-	-	386	386
<b>Total</b>	<b>4,550</b>	<b>14,235</b>	<b>1,129</b>	<b>164</b>	<b>150</b>	<b>1,324</b>	<b>1,682</b>	<b>95</b>	<b>2</b>	<b>662</b>	<b>23,993</b>

**Table 3.4 - Industry Analysis of Exposure**

31 December 2013 Exposure Class	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	5,306	-	-	-	-	-	-	-	-	-	5,306
Multilateral development banks	-	-	-	-	-	340	-	-	-	-	340
Corporates	-	1	121	226	35	800	1,514	95	-	87	2,878
Retail	-	-	998	17	107	131	22	13	1	-	1,288
Secured by mortgages on residential proper	-	12,988	-	-	-	-	-	-	-	-	12,988
Defaults	-	174	26	16	1	102	553	8	-	-	880
Institutions	-	-	-	-	-	-	-	-	-	291	291
Other	-	-	-	-	-	-	-	-	-	440	440
<b>Total</b>	<b>5,306</b>	<b>13,162</b>	<b>1,145</b>	<b>259</b>	<b>143</b>	<b>1,373</b>	<b>2,089</b>	<b>116</b>	<b>1</b>	<b>807</b>	<b>24,412</b>

### 3.3.4 Maturity Analysis of Exposure

The maturity analysis below shows the Group's credit exposure by residual contractual maturity date. The analysis is based on EAD.

**Table 3.5 - Maturity analysis of exposure**

	31 December 2014				31 December 2013			
	<1 Year £m	<1-5 Years £m	>5 Years £m	Total £m	<1 Year £m	<1-5 Years £m	>5 Years £m	Total £m
Central governments or								
central banks	3,933	296	321	4,550	5,160	146	-	5,306
Multilateral development banks	25	387	-	412	71	269	-	340
Corporates	923	483	806	2,212	865	982	1,030	2,878
Retail	404	960	8	1,372	421	859	8	1,288
Secured by mortgages on								
residential property	179	779	13,111	14,070	134	751	12,103	12,988
Defaults	499	42	226	767	575	60	245	880
Institutions	225	-	-	225	291	-	-	291
Other items	380	6	-	386	314	126	-	440
<b>Total</b>	<b>6,561</b>	<b>2,960</b>	<b>14,472</b>	<b>23,993</b>	<b>7,831</b>	<b>3,194</b>	<b>13,387</b>	<b>24,412</b>

### 3.3.5 Asset 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 Pillar 1 credit quality step, which in turn is then mapped to a risk weight.

The Group uses Fitch Ratings, Moody's Investors Service, Standard & Poor's and DBRS as its nominated ECAIs for its

Sovereign and Multilateral development banks exposures and applies the mapping tables published by the PRA to map these ECAI ratings to credit quality steps and subsequent risk weights.

Table 3.6 is based on EAD displayed by risk weight band.

**Table 3.6 - Risk Weight Band analysis of exposure**

31 December 2014	Central governments or	Multilateral	Corporates	Retail	Secured by	Defaults	Institutions	Other	Total
	central banks	development banks			mortgages on residential property				
	£m	£m	£m	£m	£m	£m	£m	£m	£m
0%	4,550	412	-	-	-	-	-	46	5,008
1 - 20%	-	-	-	-	-	-	177	276	453
21 - 50%	-	-	-	-	13,833	-	48	-	13,881
51 - 75%	-	-	-	1,372	236	-	-	-	1,609
76 - 100%	-	-	2,212	-	-	463	-	58	2,733
101 - 150%	-	-	-	-	-	303	-	-	303
> 150%	-	-	-	-	-	-	-	6	6
<b>Total</b>	<b>4,550</b>	<b>412</b>	<b>2,212</b>	<b>1,372</b>	<b>14,070</b>	<b>767</b>	<b>225</b>	<b>386</b>	<b>23,993</b>

### 3.3.5 Asset Quality (continued)

Table 3.6 - Risk Weight Band analysis of exposure (continued)

31 December 2013	Central governments or central banks £m	Multilateral development banks £m	Corporates £m	Retail £m	Secured by mortgages on residential property £m	Defaults £m	Institutions £m	Other £m	Total £m
0%	5,306	340	-	-	-	-	-	54	5,701
1 - 20%	-	-	10	-	-	-	282	182	474
21 - 50%	-	-	8	-	12,953	-	-	-	12,961
51 - 75%	-	-	-	1,288	35	-	-	-	1,323
76 - 100%	-	-	2,860	-	-	363	9	203	3,435
101 - 150%	-	-	-	-	-	516	-	-	516
> 150%	-	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>5,306</b>	<b>340</b>	<b>2,878</b>	<b>1,288</b>	<b>12,988</b>	<b>880</b>	<b>291</b>	<b>440</b>	<b>24,412</b>

### 3.3.6 Past Due and Impaired Exposure

Past due but not impaired loans 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:

- loans with a specific impairment provision attached to them;
- loans (excluding residential mortgages) which are more than 90 days in arrears;

- all assets in grades 12 and 13 on the thirteen point grade scale and grades 6 and 7 on the seven point grade scale; and
- residential mortgages are classified as impaired when there is a specific provision against them.

#### 3.3.6.1 Past Due and Impaired Exposure by Industry

Table 3.7 is based on information taken from the Group's Annual Report and discloses past due but not impaired and impaired balances by industry.

Table 3.7 - Past due and Impaired Exposure by Industry	31 December 2014			31 December 2013		
	Past due exposure £m	Impaired exposure £m	Total £m	Past due exposure £m	Impaired exposure £m	Total £m
Residential mortgages	441	74	515	504	77	581
Non-property SME and corporate	32	252	284	18	294	312
Property and construction	95	846	941	109	1,061	1,170
Consumer	22	27	49	24	34	58
<b>Total</b>	<b>590</b>	<b>1,199</b>	<b>1,789</b>	<b>655</b>	<b>1,466</b>	<b>2,121</b>

### 3.3.6.2 Past Due and Impaired Exposure by Geography

Table 3.8 is based on information taken from the Group's Annual Report and discloses past due but not impaired and impaired balances by geography.

Table 3.8 - Past due and Impaired Exposure by Geography	31 December 2014			31 December 2013		
	Past due exposure £m	Impaired exposure £m	Total £m	Past due exposure £m	Impaired exposure £m	Total £m
Northern Ireland	72	787	859	71	979	1,050
Great Britain	517	412	929	584	487	1,071
<b>Total</b>	<b>590</b>	<b>1,199</b>	<b>1,789</b>	<b>655</b>	<b>1,466</b>	<b>2,121</b>

### 3.3.7 Provisioning

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

#### 3.3.7.1 Provisions by Industry and Geography

Table 3.9 shows the balance sheet specific provisions, specific provision charges and amounts written off on specific provisions by industry classification. It is based on disclosures from the Group's Annual Report.

Table 3.9 - Provisions by Industry Industry Class	31 December 2014			31 December 2013		
	Total specific provisions £m	Specific provision charges £m	Provision utilised £m	Total specific provisions £m	Specific provision charges £m	Provision utilised £m
Residential Mortgages	10	4	7	12	5	7
Non-property SME and corporate	112	19	31	110	34	28
Property and construction	394	36	127	485	69	69
Consumer	21	8	20	27	14	23
<b>Total</b>	<b>537</b>	<b>67</b>	<b>185</b>	<b>635</b>	<b>122</b>	<b>127</b>

Table 3.10 shows the specific provision breakdown on a geographic basis. It is based on disclosures from the Group's Annual Report.

Table 3.10 - Provisions by Geography Industry Class	31 December 2014		31 December 2013	
	Total specific provision £m	Specific provision charges £m	Total specific provision £m	Specific provision charges £m
Northern Ireland	380	41	465	75
Great Britain	157	26	170	47
<b>Total</b>	<b>537</b>	<b>67</b>	<b>635</b>	<b>122</b>

### 3.3.7.2 Provisions by Provision Type

Table 3.11 show the provision split between Specific and IBNR Provisions. It is based on disclosures from the Group's Annual Report.

	31 December 2014		31 December 2013	
	Total balance sheet provision £m	Provision charges £m	Total balance sheet provision £m	Provision charges £m
<b>Table 3.11 - Provision Type</b>				
Total Specific Provision	537	67	635	122
Total IBNR Provision	76	(6)	84	3
<b>Total</b>	<b>613</b>	<b>61</b>	<b>719</b>	<b>125</b>

### 3.3.7.3 Provisioning Charges during the Period

Table 3.12 shows the movement in the provision during the twelve month period ended 31 December 2014. It is based on disclosures from the Group's Annual Report.

**Table 3.12 - Provisioning charges**

	Total impairment provision £m
<b>2014</b>	
Provision at 1 January 2014	719
Transfer between provisions	-
Exchange adjustments	(7)
Provisions utilised	(185)
Recoveries	8
Other movements	17
Charge to the income statement	61
<b>Provision at 31 December 2014</b>	<b>613</b>
<b>2013</b>	
Provision at 1 January 2013	695
Transfer between provisions	-
Exchange adjustments	2
Provisions utilised	(127)
Recoveries	6
Other movements	18
Charge to the income statement	125
Provision at 31 December 2013	719



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# Appendix I: Remuneration at Bank of Ireland (UK) plc

## Remuneration at Bank of Ireland (UK) plc

This section summarises remuneration for Code Staff in respect of 2014 and provides brief information on the decision-making policies for remuneration and the links between pay and performance. These disclosures reflect the requirements set out in the Financial Conduct Authority (FCA) and Prudential Regulation Authority Remuneration Code.

## Decision-making process for remuneration policy

The Bank of Ireland (UK) plc (hereafter referred to as 'the Group') Remuneration Committee holds delegated responsibility from the Board of Directors for the oversight of the Group's Remuneration Policy. During 2014, the Group's Remuneration Committee met twice.

## Code Staff

Under the European Banking Authority (EBA) Guidelines on Remuneration Policies and Practices and the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) Senior Management, Systems and Controls Sourcebook, credit institutions and investment firms must identify roles / role holders whose professional activities are deemed to have a material impact on the risk profile of the institution. These roles are called Code Roles. In January 2014, the EBA published new guidelines on the identification process, which contained more specific detail on how these roles are categorised. Eighteen different criteria are listed, split between qualitative and quantitative measures. All Bank of Ireland employees were tested against the criteria to determine who was holding a Code Role relevant to the Group. At 31st December 2013 there were 20 Code Staff in the Group and following the application of the new EBA guidelines the number of Code Staff as at 31st December 2014 increased to 41.

## Remuneration restrictions

The Group, as part of the overall Bank of Ireland Group, is currently operating under a number of remuneration restrictions which cover all Directors, Employees and Service Providers across Bank of Ireland Group. The remuneration restrictions are contained within the Minister's Letter (July 2011), 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 condition of the Transaction Agreement with the Irish Government which formed part of the 2011 Recapitalisation of the Bank of Ireland Group.

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

## Attraction, Motivation and Retention

The Group's success depends in part on the availability of skilled management and the continued services of key 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 skilled and qualified 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 key executives and skilled and qualified people may adversely impact the Group's ability to attract and retain such staff.

## 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 (KRAs), each with a minimum weighting of 10%, are as follows:

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

## Bank of Ireland (UK) plc Remuneration Strategy

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

In addition the remuneration policy seeks to ensure that;

- the Group's efforts are aligned with and contribute to the long term sustainability, value creation and success of the Group
- the Group has the necessary platform to attract, retain and motivate high calibre employees
- the Group offers a competitive remuneration package in a cost effective manner
- remuneration practices are simple, transparent, easy to understand and implement
- sound and effective risk management is reflected in performance management and remuneration structures and their alignment to performance targets and governance structures

## Appendix I: Remuneration at Bank of Ireland (UK) plc

- remuneration is applied in consideration of and in alignment with the Group's Risk Appetite Statement and overall risk governance framework
- risk adjusted financial performance is an important measure when evaluating performance
- business and individual performance measures and targets are aligned with Group objectives at either a Group or local business level, ensuring alignment with Group strategy, risk measures and priorities and is based on a balanced scorecard approach
- all remuneration practices are subject to appropriate governance
- the Group is compliant with all applicable regulatory remuneration requirements as they relate to the Group
- remuneration policies, process, procedures, systems and controls support the fair treatment of customers and mitigate the potential for conflict between commercial, customer and public interests

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.

### Remuneration expenditure

The following tables show the remuneration awards made by the Group to Code Staff in 2014.

The award data is pro-rated for those employees who were newly classified as Code Staff during 2014 and for those who were removed from the Code Role list during 2014.

**Table 1**

Aggregate 2014 Remuneration Expenditure by Business Area	No. of Coded Roles as at 31 December 2014	2014 No. of Employees who held a Coded Role in 2014	Remuneration Expenditure £m
Non-Executive Directors	6	6	0.40*
BOI UK Front Line	13	15	2.69
BOI UK Support Functions	18	19	2.55
Bank of Ireland Group Roles	4	4	0*
<b>Grand Total</b>	<b>41</b>	<b>44</b>	<b>5.64</b>

<sup>1</sup> Includes Fees, Salaries, Employer Pension Contributions (as specified in the 2014 EBA benchmarking exercise guidelines) and variable payments made in 2014 and other cash benefits payable e.g. car allowance.

In addition, a transition payment made to nearly all employees, relating to a new Career & Reward Framework, which was a once-off payment and non-performance related, is included.

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

\* In January 2014 the EBA issued new criteria for identifying code roles which resulted in a number of additional roles being added to the Group code role list – 4 of whom are employed by Bank of Ireland Group and are wholly remunerated by Bank of Ireland Group and not by BOI (UK) plc. Their remuneration data is not included in these tables, but is reported in the Bank of Ireland Group Pillar 3 disclosure. In addition, there is one other Bank of Ireland Group employee who is a Non-Executive Director of BOI (UK) plc who receives no fees/remuneration from the Group in this respect, and therefore no remuneration data is reported.

**Table 2 - Analysis of 2014 Remuneration between and Variable Amounts (actually paid in 2014)****Senior Managers (Senior Management Team for UK plc) Remuneration Table**

(note: there were 10 Senior Managers in Coded Roles in 2014)

Total value of remuneration awarded in 2014	Non-deferred	Deferred
<b>Fixed Remuneration*</b>		
Cash based	2.41	-
Shares and share-linked instruments	-	-
Other**	0.06	-
<b>Variable Remuneration***</b>		
Cash based	-	-
Shares and share-linked instruments	-	-
Other	-	-

**All Other Risk Roles (NEDs & All Other Code Staff in UK plc) Remuneration Table**

(note: there were 34 Code Roles (excluding Senior Managers) in 2014 \*)

Total value of remuneration awarded in 2014	Non-deferred	Deferred
<b>Fixed Remuneration*</b>		
Cash based	3.02	-
Shares and share-linked instruments	-	-
Other**	0.15	-
<b>Variable Remuneration***</b>		
Cash based	-	-
Shares and share-linked instruments	-	-
Other	-	-

\* *Fixed remuneration 2014: fees, salaries, employer pension contribution amounts, car allowances and other payments.*\*\* *Fixed Remuneration Other 2014: Relates to the once-off Career & Reward Framework Transition payment which was non- performance related.*\*\*\* *Variable remuneration 2014: Cash bonuses, guaranteed bonus/contractual guarantees, cash LTIPs/deferred bonuses, retention payments and commissions.**The fixed to variable remuneration ratio for 2014 was 1:0***2014 New sign-on and severance payments**

- No payments were made to any code staff hired during 2014 relating to the commencement of their employment.
- During the course of the year, 2 individuals designated as Code Staff received severance payments.
- The total value of payments made, comprising Statutory Redundancy, Voluntary Parting Payments, pay in lieu of notice, and Annual Leave was £0.33 million.
- The above payments are not included in the previous tables.

# Appendix II: Group Annual Report Reference Table

The Group's Annual Report for the year ended 31 December 2014 can be accessed on the Group's website - [www.bankofirelanduk.com](http://www.bankofirelanduk.com)

The reference table below details the disclosures incorporated in the Pillar 3 document that have been extracted from the Group's Annual Report.

Pillar 3 Disclosure			The Group's Annual Report	
Page	Table	Table Name	Page	Table Name
4	1.1	Risk weighted assets and Regulatory capital	20	Regulatory capital and key capital ratios ( <i>Resources &amp; RWAs at 1 January 2014 and 31 December 2014 on a transitional basis and 31 December 2014 on a proforma fully loaded basis</i> )
4	1.2	Key capital and leverage ratios	20	Regulatory capital and key capital ratios ( <i>Ratios at 1 January 2014 and 31 December 2014 on a transitional basis and 31 December 2014 on a fully loaded basis</i> )
7	2.1	Breakdown of the Group's regulatory capital requirement	21	Capital requirements ( <i>31 December 2014 only</i> )
8	2.2	Reconciliation of Accounting Capital to Regulatory Capital	20	Regulatory capital and key capital ratios ( <i>Regulatory capital only</i> )
			79	Consolidated balance sheet ( <i>Statutory Capital only</i> )
			20	Regulatory capital and key capital ratios ( <i>Regulatory capital</i> )
11	2.4	Movement in total regulatory capital	22	Movement in total regulatory capital
17	3.1	Exposures to Credit Risk	21	Capital requirements ( <i>EAD at 31 December 2014 only</i> )
20	3.7	Past Due and Impaired	46	Financial assets 'past due but not impaired': loans and advances to customers - ( <i>Totals by Industry</i> )
				Financial assets 'impaired': loans and advances to customers ( <i>Defaulted by Industry</i> )
22	3.11	Provision by Provision Type	47 & 48	Impairment provision by nature of impairment provision (audited) ( <i>Total Balance Sheet provision</i> )
				Impairment charge (audited) ( <i>Provision charges</i> )
22	3.12	Provisioning charges	118	Impairment provisions ( <i>Total</i> )



