Note: Page numbers and note references in the Corporate Governance Statement reference to the Bank of Ireland Group plc Annual Report year ended 31 December 2017.

Chairman's introduction

Archie G Kane, Chairman

Dear Shareholder,

I am pleased to present our Corporate Governance Report for 2017. This report explains how the Group applies the principles of good governance.

Establishment of Bank of Ireland Group plc

The Group was reorganised in 2017, following notification to the Group by the Single Resolution Board that a single point of entry bail-in at group holding company level was the preferred resolution strategy for Bank of Ireland Group.

Pursuant to a Scheme of Arrangement, which was approved by shareholders in April 2017, BOIG plc, which was incorporated on 28 November 2016, became the holding company of the Bank on 7 July 2017. BOIG plc replaced the Bank as the main listed entity of the Group on 10 July 2017.

As part of these changes, the structure of governance which was in place for the Bank was replicated at BOIG plc level as follows:

BOIG plc:

- adopted a Board Governance Policy similar to that in place for the Bank;
- put in place a delegation of authority to management, with appropriate reservations of authority;
- delegated authority to the Group CEO as CEO of BOIG plc; and
- established committees mirroring those in place for the Bank.

The existing governance and committee structure of the Bank has remained in place throughout 2017, subject to such amendments as were required by the establishment of BOIG plc.

The Directors of the Bank, with the exception of Brad Martin, were appointed to the board of BOIG plc on 23 March 2017.

As a matter of policy, the Board and main Committees of BOIG plc and the Court of the Bank comprise the same Directors, with Board and Committee meetings for these companies being held concurrently. Agendas are split between the boards and committees of BOIG plc and the Bank, allowing decisions to be taken and scrutinised by the appropriate entity.

Unless a distinction is indicated, this Report describes the activities and governance practices of the parent entity of the Group for the financial year ended 31 December 2017 (i.e. the Bank from 1 January to 7 July 2017 and the Company from that date until 31 December 2017). Thus, references to attendance at, and matters considered by, board and committees reflect the activities at parent level for the entire financial year of 2017. For ease of reference, the term 'Board' includes 'Court', references to Group-level committees include the equivalent entity for the Bank, 'Chairman' includes 'Governor' and so forth.

The Board is accountable to shareholders for the overall direction and control of the Group. It is committed to high standards of governance designed to protect the long term interests of shareholders and all other stakeholders while promoting the highest standards of integrity, transparency and accountability.

A key objective of the Group's governance framework is to ensure compliance with applicable legal and regulatory requirements.

Central Bank of Ireland Corporate Governance Requirements for Credit Institutions 2015 (the 'Irish Code')

The Irish Code imposes statutory minimum core standards upon all credit institutions licenced or authorised by the Central Bank of Ireland (CBI). The Company's primary banking subsidiary, the Bank, was subject to the Irish Code, (which is available on www.centralbank.ie) throughout 2017. The Bank is also subject to the additional requirements of Appendix 1 and Appendix 2 of the Irish Code for High Impact Designated Institutions, and Credit Institutions which are deemed 'Significant' Institutions (for the purposes of the CRD IV), respectively.

UK Corporate Governance Code

The Company is subject to the UK Corporate Governance Code 2016 published by the Financial Reporting Council in the UK (the 'UK Code' which is available on www.frc.org.uk) and the Irish Corporate Governance Annex to the Listing Rules of the Irish Stock Exchange (the 'Irish Annex' which is available on www.ise.ie). The UK Code and the Irish Annex applied to the Bank until 7 July 2017. Thereafter the Irish Annex and certain provisions of the UK Code ceased to apply to the Bank. The Bank has voluntarily applied the Irish Annex and those provisions of the UK Code which ceased to apply to the Bank.

Thank you

I would like to thank each of the Directors for their commitment and support during 2017. I would also like to express the Board's sincere appreciation to Richie Boucher for his contribution towards the success of the Group as CEO and to Tom Considine, Pat Butler and Brad Martin for their contributions to the Group as Non-executive Directors over the years. I wish them well in all their future ventures. I would also like to take this opportunity in wishing Francesca McDonagh well in leading the Group into the next phase of its development.

Looking ahead

I have also informed the Board of my intention to step down as Chairman during 2018 and, as this my last report to you in this role, I would like to take this opportunity to thank you for your support over the years. The Senior Independent Director, Mr Patrick Haren is leading the process to identify my successor.

Archie G Kane
Chairman
23 February 2018

Corporate Governance Report

The Directors believe that the Bank complied with the provisions of the Irish Code throughout 2017. The Directors also believe that the Bank and the Company complied with the provisions of the UK Code and the Irish Annex, during the respective periods in 2017 in which the UK Code applied to the Bank and the Company (the 'relevant periods'), other than in the following respects:

- As Tom Considine was nominated by the Minister for Finance under the terms of the Credit Institutions (Financial Support) Scheme, 2008 and was not required to stand for election or regular re-election by shareholders, he was not classified as an independent Non-executive Director. In accordance with the Bye-Laws of the Bank and the Constitution of the Company, Directors nominated by the Minister for Finance may not serve as a Director of the Bank or the Company for a period of longer than nine years after his or her date of appointment.

  Tom Considine was a member of both the Group Audit Committee and BRC, which benefited from his judgement and the quality of his contributions during 2017. Both Committees comprise a minimum of three independent Non-executive Directors as per provision C.3.1 of the UK Code.

- Provision B.7.1 of the UK Code recommends annual election of directors by shareholders. In accordance with the Bye-Laws of the Bank and the Constitution of the Company, Government nominated Directors are not required to put themselves up for re-election on an annual basis and accordingly Tom Considine was not submitted for re-election at the Annual General Court (AGC) held in 2017. Government nominated Directors are subject to an annual review of their fitness and probity.

- Provision D.1.2 of the UK Code states that where a company releases an executive director to serve as a non-executive director elsewhere, the remuneration report should include a statement as to whether or not the director will retain earnings from that position and if so, what that remuneration is. For part of the period during which he was Executive Director and Group CEO (10 January 2017 to 1 October 2017), Richie Boucher held the position of Non-executive Director of Eurobank Ergasias S.A. ('Eurobank') and retained fees in respect of this position in accordance with the remuneration policy of Eurobank. In accordance with the applicable law governing Eurobank's remuneration disclosures, remuneration of all staff and directors is publically disclosed on an aggregate basis only and so the individual remuneration of directors is not disclosed.

Details of how the Bank and the Company applied the main and supporting principles of the UK Code throughout the year ended 31 December 2017 for the relevant periods are set out in this Corporate Governance Report and in the Remuneration Report. These reports also cover the disclosure requirements set out in the Irish Annex, which supplement the requirements of the UK Code with additional corporate governance provisions.

The Group believes it has robust governance arrangements, which include a clear organisational structure with well defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks to which it is or might be exposed and appropriate internal control mechanisms, including sound administrative and accounting procedures, IT systems and controls. The system of governance is subject to regular internal review.

Directors of the Bank are aware that, should they have any material concern about the overall corporate governance of the Group, it should be reported without delay to the Court and, should their concerns not be satisfactorily addressed within five business days, the Directors should report the concern to the Central Bank of Ireland.

The Board's oversight of risk and control is supported through delegation of certain responsibilities to Committees of the Board, the principal Committees being the Group Audit Committee, the BRC, the Group Nomination and Governance Committee and the Group Remuneration Committee. Details of these Committees are set out on pages 93 and 103 to 111. The Chairman of each Committee formally reports on key aspects of Committee proceedings to the subsequent scheduled meeting of the Board and minutes of principal Committees are tabled at the Board as soon as possible for noting and / or discussion as necessary. The terms of reference of the Committees are reviewed annually by the relevant Committees and by the Board and are available on the Group's website (www.bankofireland.com) or by request to the Group Secretary. The Group's position on audit tendering is set out on page 109.

The Board of Directors
Role of the Board
The Board's role is to provide leadership of the Group within the boundaries of Risk Appetite and a framework of prudent and effective controls which enable risk to be identified, assessed, measured and controlled. The Board sets the Group's strategic aims and risk appetite to support the strategy, ensuring that the necessary financial and human resources are in place for the Group to meet its objectives. The Board also reviews management performance. The Board has a schedule of matters specifically reserved for its decision which is reviewed and updated regularly. Matters requiring Board approval include:

1. ***Strategy and risk appetite***
   - Determination of risk appetite and approval of the Group's Risk Appetite Statement.
   - Determination of the Group's strategy.

2. ***Corporate and capital structure***
   - Approval of CET 1 capital investments of greater than €20 million in a regulated subsidiary and €40 million in any other subsidiary.
   - Approval of share issuances by any Group member to an entity outside of the Group.
   - Approval of equity underwriting of sums greater than €20 million.
   - Approval and payment of dividends, notwithstanding the existing legal requirement for same.

3. ***Management***
   - Approval of the Group's business plans and budgets.
   - Overseeing management of the business.

Corporate Governance Report (continued)

4. ***Financial and regulatory reporting, internal controls, risk and capital management***
   - Approval of half year report and Annual Report and Accounts.
   - Approval of the Group Risk Framework.
   - Approval of the Group ICAAP, ILAAP and Recovery Plan.
   - Overseeing the internal control and risk management systems of the Group.

Matters considered and action taken by the Board in 2017

Area of focus	Role of the Board
Business environment	• Reviewed economic, investor and stakeholder perspectives. • Reviewed Group communications and the external environment. • Reviewed the macroeconomic and regulatory environment, including the implications of Brexit, and the changing international corporate tax environment.
Group strategy and risk appetite	• Approved the Group Risk Appetite and Framework. • Approved capital strategy, capital optimisation and capital allocation, and funding and liquidity strategy and policy. Approved a credit risk transfer programme. • Reviewed divisional and business unit strategies, product strategies and customer propositions. • Approved Integrated Plan and Core Banking System updates. • Reviewed and approved Group culture programme. • Reviewed leadership development and engagement including employee engagement and succession planning including the approval of the appointment of a new CEO. • Considered and approved the Group Resolution Strategy, incorporating the establishment of a group holding company and reviewed operational continuity in resolution. • Approved non-performing exposures strategy. • Approved M&A transactions including the merger of the private banking business into the main bank, the divestment of IBI Corporate Finance, the acquisition of loan portfolios and the acquisition of a motor finance business in the UK.
Business performance	• Reviewed the performance of the Group's business divisions, its major subsidiaries and business units. • Reviewed and approved Group financial performance updates, forecasts, budgets, dividend policy, capital position, capital allocation and RAROC performance.
Risk management	• Approved the Group Risk Framework and the Group Contingency Funding and Contingency Capital Plan. • Approved key group risk policies, risk mitigation plans and the Group Recovery Plan.
Governance and regulatory	• Reviewed the Group tracker mortgage redress and compensation programme. • Approved the annual Board effectiveness reviews and Board succession proposals. • Approved governance documentation for the group holding company. • Assessed the fitness and probity and approved the appointment of pre-approval controlled functions (PCF) role holders. Approved the annual PCF reconfirmation. • Approved the appointment of KPMG as external auditors from 2018 following tender process. • Approved corporate governance matters including group policies and board / committee terms of reference.

5. ***Transactions***
   - Approval of acquisitions or divestments of the business or assets of any Group member involving a third party, except for credit management purposes.
   - Approval of guarantees, including those in respect of subsidiary companies, entered into by a member of the Group, other than in the normal course of business.
   - Approval of capital expenditure in excess of €40 million.
   - Approval of Class 1 or Class 2 transactions (each as defined by the Listing Rules).
   - Approval of related party transactions (as defined by the Listing Rules) giving rise to an obligation to issue a shareholder circular.

6. ***Corporate governance, Board and other appointments***
   - Promoting the appropriate culture, values and ethics of the Group.
   - Overseeing corporate governance and succession planning.
   - Approving specified senior management appointments.

7. ***Pension scheme***
   - Approval of all changes to the funding of pension schemes in the Group and / or benefits of same.

The Board is responsible for endorsing the appointment of individuals who may have a material impact on the risk profile of the Group and monitoring on an ongoing basis their appropriateness for the role. The removal from office of the head of a 'control function', as defined in the Irish Code, is also subject to Board approval.

The Board is responsible for determining high-level policy and strategic direction in relation to the nature and scale of risk that the Group is prepared to assume to achieve its strategic objectives.

The Board approves the Group Risk Framework on an annual basis and receives regular updates on the Group's risk environment and exposure to the Group's material risk types through a Court Risk Report reviewed monthly for all risks. Further information on risk management and the Board's role in the risk governance of the Group is set out in the Risk Management Report on pages 49 to 55.

Corporate Governance Report (continued)

The work of the Board follows an agreed schedule of topics which evolves based on business need and is formally reviewed annually by the Board. The Board monitors and reviews the performance of the Group through a series of reports, receives updates from the Group's principal businesses on the execution of their business strategy and considers reports from each of the principal Board Committees. The strategy of the Group and performance against strategic goals continued to receive considerable focus throughout 2017. In addition the matters considered, and action taken by the Board during the year are set out in the table on page 96.

Board size and composition

At close of business on 31 December 2017, the Board comprised ten Directors: the Chairman, who was independent on appointment, two Executive Directors and seven Non-executive Directors, all of whom have been determined by the Board to be independent Non-executive Directors in accordance with the requirements of the UK Code and Irish Code. Brad Martin resigned from the Board on 28 April 2017, Richie Boucher resigned from the Board on 1 October 2017, and Pat Butler and Tom Considine resigned on 31 December 2017. Richard Goulding was appointed as Non-executive Director to the Board on 20 July 2017 and Francesca McDonagh was appointed as CEO and Executive Director on 2 October 2017. Biographical details, including each Director's background, experience and independence classification, are set out on pages 89 to 92.

The composition of the Board and its Committees is reviewed by the Group Nomination and Governance Committee and the Board, on an annual basis, to ensure that there is an appropriate mix of skills and experience. This includes a review of tenure, an assessment of the skills profile of the Board and consideration of succession for key roles to ensure the Board and Committees comprise Directors having a comprehensive understanding of the Group's activities and the risks associated with them. In addition, where any appointment or resignation will alter the overall size of the Board, a review is undertaken to ensure that the composition remains appropriate. The Board regards its current size and composition as appropriate to provide the broad range of skills and experience necessary to govern the business effectively, while enabling full and constructive participation by all Directors.

In 2017 the Group completed a review of the ongoing fitness and probity of persons in PCFs whereby Directors were asked to confirm any changes in circumstances in respect of their compliance with the Fitness and Probity Standards issued by the Central Bank of Ireland (the 'Standards'). Directors of the Bank are subject to the Standards. All changes in circumstances disclosed were assessed and their materiality determined. Time commitments of Directors were considered as part of this review process and Directors confirmed that they continue to have sufficient time to perform their roles. The Board concluded that each of the Directors of the Board has the requisite standard of fitness, probity and financial soundness to perform their functions with reference to the Standards and provided the required confirmation to that effect to the Central Bank of Ireland.

Board meetings

The Board held seventeen meetings during the year ended 31 December 2017, eleven of which were scheduled meetings. As part of its oversight of major subsidiaries, the Board visited the UK business including holding one board meeting in the UK. The Chairman and Members of the Board, together with their attendance at Court / Board meetings are shown below.

Board attendance in 2017:

Board meetings	Eligible to attend	Attended
Archie G Kane*	17	17
Kent Atkinson	17	14
Richie Boucher	13	10
Pat Butler	17	16
Tom Considine	17	17
Richard Goulding	7	6
Patrick Haren**	17	17
Andrew Keating	17	17
Patrick Kennedy***	17	17
Davida Marston	17	16
Francesca McDonagh	4	4
Bradley Martin	7	5
Fiona Muldoon	17	17
Patrick Mulvihill	17	17

*Chairman
**Senior Independent Director
***Deputy Chairman

Further details on the number of meetings of the Board, its Committees and attendance by individual Directors are set out on page 112.

Agendas and papers are circulated prior to each meeting to provide the Directors with relevant information to enable them to discharge fully their duties.

The Group Secretary provides dedicated support for Directors on any matter relevant to the business on which they require advice separately from or additional to that available in the normal Board process. The Company has in place Directors' and Officers' liability insurance in respect of legal actions against its Directors.

Term of appointment and re-election of Directors

Non-executive Directors are normally appointed for an initial three year term, with an expectation of a further term of three years, assuming satisfactory performance and subject to the needs of the business, shareholder re-election and continuing fitness and probity. On recommendation by the Nomination and Governance Committee, in order to maintain continuity and succession on the Board and its committees, the Board approved the proposal that Patrick Kennedy serve for a third term of three years, starting from the AGC held in April 2017, and that Patrick Haren and Patrick Mulvihill would be requested to serve for a third term of three years, starting from the AGM to be held in April 2018. A rigorous review of their skills, experience, independence and knowledge was carried out and the Board concluded that they continue to be effective and make a valuable contribution to the deliberations of the Board.

A Non-executive Director's term of office will not extend beyond nine years in total unless the Board, on the recommendation of the Nomination and Governance Committee, concludes that such extension is necessary due to exceptional circumstances. In respect of executive Directors, no service contract exists between the Company and any Director which provides for a notice period from the Group of greater than one year. None of the Non-executive Directors has a contract of service with the Group.

Corporate Governance Report (continued)

It is Group practice that, following evaluation, all Board Directors are subject to annual re-election by shareholders. All Directors retired at the AGC held on 28 April 2017, with the exception of Tom Considine, who was nominated as a Director by the Minister for Finance. The requirement to stand for election and regular re-election was dispensed with for a Government nominated Director.

The following Directors, being eligible, offered themselves for re-election and were re-elected at the AGC in 2017: Kent Atkinson, Richie Boucher, Pat Butler, Patrick Haren, Archie G Kane, Andrew Keating, Patrick Kennedy, Davida Marston, Fiona Muldoon and Patrick Mulvihill. Richard Goulding was co-opted to the Board on 20 July 2017 and Francesca McDonagh was co-opted to the Board on 2 October 2017, and will offer themselves for election at the forthcoming AGM.

The names of Directors submitted for election or re-election are accompanied by sufficient biographical details and any other relevant information in the AGM documentation to enable shareholders to take an informed decision on their election.

Conflicts of interest
The Board has an approved Conflicts of Interest Policy which sets out how actual, potential or perceived conflicts of interest are to be identified, reported and managed to ensure that Directors act at all times in the best interests of the Company. This policy is reviewed on an annual basis.

The Group Code of Conduct, which applies to all employees and Directors of the Group, clarifies the duty on all employees to avoid conflicts of interests. The Code of Conduct is reviewed on an annual basis and communicated throughout the Group.

Time commitment
The Group ensures that individual Board Directors have sufficient time to dedicate to their duties, having regard to applicable regulatory limits on the number of directorships which may be held by any individual Director. The Company and the Bank have each been classified as ‘significant institutions’ under the European Union (Capital Requirements) Regulations 2014 (the ‘Regulations’). During the year ended 31 December 2017, all Directors were within the directorship limits set out for significant institutions under the Regulations.

Chairman, Deputy Chairman, Senior Independent Director and Group Chief Executive Officer
The respective roles of the Chairman and the Group CEO, which are separate, are set out in writing and have been agreed by the Board. The Chairman oversees the operation and effectiveness of the Board, including ensuring that agendas cover the key strategic items confronting the Group and encouraging all Directors to participate fully in the discussions and activities of the Board. He also ensures that there is effective communication with shareholders and promotes compliance with corporate governance standards. The Chairman commits a substantial amount of time to the Group and his role has priority over any other business commitment. The Chairman was appointed as a Non-Executive Director to Melrose Industries plc during the year ended 31 December 2017. During the year, the Chairman and Non-executive Directors met without the executive Directors present, to discuss a range of business matters.

The Deputy Chairman deputises for the Chairman as required and is a Trustee of the BSPF.

The ‘Senior Independent Director’ (SID) provides Board members, the Group Secretary, shareholders and customers with an additional channel, other than the Chairman or the Group CEO, through which to convey, should the need so arise, concerns affecting the Chairmanship or the Board, or any other issue.

The Group CEO is responsible for execution of approved strategy, holds delegated authority from the Board for the day to day management of the business and has ultimate executive responsibility for the Group’s operations, compliance and performance. Procedures are in place to review the Group Chief Executive’s contract at least every five years.

Balance and independence
The independence status of each Director on appointment is considered by the Board. In addition, the independence status of each Director is reviewed on an annual basis to ensure that the determination regarding independence status remains appropriate. In 2017, the Board considered the principles relating to independence contained in the Irish Code and the UK Code and concluded that the previously determined independence status of each Director was appropriate. Specifically, the Board concluded that the Chairman was independent on appointment (as Governor of the Bank), and that each current Non-executive Director, is independent within the meaning of the Irish Code and the UK Code.

Each of the Chairman, Deputy Chairman and all of the Non-executive Directors bring independent challenge and judgement to the deliberations of the Board through their character, objectivity and integrity.

Appointments to the Board
The Board is committed to identifying the people best qualified and available to serve on the Board and is responsible for the appointment of Directors. The Board plans for its own renewal with the assistance of the Nomination and Governance Committee which regularly reviews Board composition tenure and succession planning. In accordance with the Director Assessment Policy and Board Diversity Policy, all appointments are made on merit against objective criteria (including the skills and experience the Board as a whole requires to be effective) with due regard for the benefits of diversity on the Board.

Prior to the appointment of a Director, the Nomination and Governance Committee approves a job specification, assesses the time commitment involved and identifies the skills and experience required for the role, having regard to the formal assessment of the skills profile of the Board and succession planning. The recruitment process for Non-executive Directors is supported by an experienced third party professional search firm which develops an appropriate pool of candidates and provides independent assessments of the candidates. The Group then works with that firm to shortlist candidates, conduct interviews / meetings (including meetings with members of the Nomination and Governance Committee and the Board) and complete comprehensive due diligence. In accordance with the Director Assessment Policy of the Board, the assessment process and the due diligence completed is extensive and includes self-certification confirmations of probity

Corporate Governance Report (continued)

and financial soundness and external checks involving a review of various publicly available sources. The Nomination and Governance Committee makes a recommendation to the Board, with the Board satisfying itself as to the candidate's ability to devote sufficient time to the role, independence, fitness and probity, and assessing and documenting its consideration of possible conflicts of interests. Appointments will not proceed where conflicts emerge which are significant to the overall work of the Board.

The processes described above were followed in the selection and appointment of Richard Goulding and Francesca McDonagh to the Board in 2017. Russell Reynolds and Egon Zehnder, two external search consultancy firms, which also assist with executive searches for the Group, were engaged, to assist with the appointments of Richard Goulding and Francesca McDonagh respectively.

Archie G Kane has signalled his intention to retire from the Board in 2018. The Board is also considering the appointment of two additional Non-executive Directors in 2018.

All newly-appointed Directors are provided with a comprehensive letter of appointment detailing their responsibilities as Directors, the terms of their appointment and the expected time commitment for the role. A copy of the standard terms and conditions of appointment of Non-executive Directors can be inspected during normal business hours by contacting the Group Secretary. Directors are required to devote adequate time to the business of the Group, which includes attendance at regular meetings and briefings, preparation time for meetings and visits to business units. In addition, Non-executive Directors are normally required to sit on at least one Board Committee, which involves the commitment of additional time. Certain Non-executive Directors, such as the Deputy Chairman, Senior Independent Director and Committee Chairmen, are required to allocate additional time in fulfilling those roles.

Induction and professional development
On appointment, all new Directors receive a comprehensive induction programme designed to familiarise them with the Group's operations, management and governance structures, including the functioning of the Board and the role of the key committees. In addition, new Directors undertake significant induction in relation to risk and business matters, including visits to or presentations by Group businesses and briefings with senior management. Further meetings are arranged as required based on the particular circumstances of each Director.

On an ongoing basis, briefings appropriate to the business of the Group are provided to all Non-executive Directors. In order to ensure that the Directors continue to further their understanding of the issues facing the Group, Directors are provided with professional development sessions and briefings on a range of technical matters, tailored to their particular requirements. During the year ended 31 December 2017, the modules attended by Directors included 'deep dives' on specific business areas; International Corporate Tax Environment; Brexit; Business Reviews on Youth markets and People; Group Communications; IFRS 9; Cybercrime; the Operational Risk Management System; Retail Banking UK; Wealth Management; Global Markets Strategy and Markets: Group Culture; and RoI Mortgages. Directors are also offered the option of attending suitable external educational courses, events or conferences designed to provide an overview of current issues of relevance to Directors.

The Directors have access to the advice and services of the Group Secretary, who is responsible for advising the Board on all governance issues and for ensuring that the Directors are provided with relevant information on a timely basis to enable them to consider issues for decision and to discharge their oversight responsibilities. The Directors also have access to the advice of the Group Legal Adviser and to independent professional advice, at the Group's expense, if and when required. Committees of the Board have similar access and are provided with sufficient resources to undertake their duties.

Performance evaluation
There is a formal process in place for annual evaluation of the Board's own performance, and that of its principal Committees and of individual Directors (including the Chairman). An evaluation of the performance of the Board and its Committees is conducted every year, with an externally facilitated review conducted at least every third year. The objective of these evaluations is to review past performance with the aim of identifying any opportunities for improvement, determining whether the Board / Committee as a whole is effective in discharging its responsibilities and, in the case of individual Directors, to determine whether each Director continues to contribute effectively and to demonstrate commitment to the role.

Board evaluation
Following an external evaluation in 2016 by Independent Audit Ltd, internal evaluations were conducted for 2017. This comprehensive self-evaluation process, which was led by the Chairman and supported by the Group Secretary, considered overall performance relative to the role of the Board and consisted of:
- completion of written evaluations by each Director;
- one to one discussions between the Chairman and each Director; and
- discussion by the Board of the assessment and recommendations for change or improvement.

The outcome of the Board evaluation was considered by the Nomination and Governance Committee and collectively discussed by the Board. The Board concluded that it continues to be effective.

Committee evaluations
The Chairman of each principal Board Committee led the self-evaluation process in respect of Committee performance. The process was supported by the completion of questionnaires tailored to each specific Committee. The results of this process were considered by each individual Committee with conclusions and any relevant recommendations reported to the Board. The Board concluded that each of its principal Committees continues to be effective.

Director evaluations
The annual individual Director performance evaluation was led by the Chairman and involved:
- the circulation of tailored questionnaires to Directors;
- one to one discussions between the Chairman and each Director;
- consideration of the findings by the Nomination and Governance Committee; and
- presentation of the overall findings to the Board for consideration.

Corporate Governance Report (continued)

The Board concluded that each individual Director continues to make a valuable contribution to the deliberations of the Board, continues to be effective and demonstrates continuing commitment to the role.

Chairman evaluation
The SID leads the process of evaluation of the Chairman's performance, based on written submissions and one to one discussions with each Director. The SID presents the results of these assessments to the Group Nomination and Governance Committee and the Board for discussion, without the Chairman being present. The SID then meets the Chairman to present him with the Board's conclusions on his effectiveness. The SID also meets individual Directors on such other occasions as are deemed appropriate.

The Board concluded that the Chairman continues to lead the Board effectively, continues to make a valued contribution and demonstrates continuing commitment to the role.

Directors' loans
The Companies Act, IAS 24 'Related party disclosures' and a condition imposed on the Bank's licence by the Central Bank of Ireland in August 2009 require the disclosure in the Annual Report of information on transactions between the Bank and its Directors and their connected persons. The amount of outstanding loans to Directors (and relevant loans to connected persons) is set out on pages 207 to 211.

A condition imposed on the Bank's licence by the Central Bank of Ireland in May 2010 requires the Bank to maintain a register of loans to Directors and relevant loans to their connected persons, which is updated quarterly and is available for inspection by shareholders on request for a period of one week following quarterly updates. The Group's process for ensuring compliance with the Central Bank of Ireland's Code of Practice on Lending to Related Parties as amended ('Related Party Lending Code') has been in place since 1 January 2011 and is subject to regular review. A Related Party Lending Committee of the Court is in place which is authorised to review and approve lending to Related Parties as more particularly defined in the Related Party Lending Code.

Accountability and audit
The Report of the Directors, including a going concern statement and a viability statement, is set out on page 114. This Corporate Governance Statement forms part of the Report of the Directors.

Internal controls
The Directors acknowledge their overall responsibility for the Group's systems of internal control and for reviewing their effectiveness. Such systems are designed to ensure that there are thorough and regular evaluations of the nature and extent of risks and the ability of the Group to react accordingly. Such systems are designed to control, rather than eliminate, the risk of failure to achieve business objectives and can provide reasonable, but not absolute, assurance against material misstatement or loss. Such losses could arise because of the nature of the Group's business in undertaking a wide range of financial services that inherently involves varying degrees of risk.

The Group's overall control systems include:

- a clearly defined organisation structure with defined authority limits and reporting mechanisms to higher levels of management and to the Board, which support the maintenance of a strong control environment;
- a three lines of defence approach to the management of risk across the Group: line management in individual businesses and relevant Group functions; central risk management functions; and Group Internal Audit;
- Board and Management Committees with responsibility for core policy areas;
- a set of policies and processes relating to key risks; business and strategic risk, conduct risk, credit risk, funding and liquidity risk, life insurance risk, market risk, operational risk, pension risk, regulatory risk and reputation risk (further details are given in the Risk Management Report on pages 42 to 87);
- monthly reporting by business units which enables progress against business objectives to be monitored, trends to be evaluated and variances to be acted upon by the Board and relevant subsidiary Boards;
- regular meetings of the senior management teams, where the executive Directors and other senior executives responsible for running the Group's businesses, amongst other matters, review performance and explore strategic and operational issues;
- reconciliation of data consolidated into the Group's financial statements to the underlying financial systems. A review of the consolidated data is undertaken by management to ensure that the financial position and results of the Group are appropriately reflected, through compliance with approved accounting policies and the appropriate accounting for non-routine transactions; and
- a Code of Conduct setting out the standards expected of all Directors, officers and employees in driving an appropriate, transparent risk culture. This covers arrangements, should the need arise, for the independent investigation and follow up of any concerns raised by staff regarding matters of financial and non-financial reporting.

The Group operates a comprehensive internal control framework over financial reporting with documented procedures and guidelines to support the preparation of the consolidated financial statements. The main features are as follows:

- a comprehensive set of accounting policies relating to the preparation of the annual and interim financial statements in line with International Financial Reporting Standards as adopted by the European Union;
- a Group Internal Audit function with responsibility for providing independent, reasonable assurance to key internal (Board, Group & Subsidiary Audit and Risk committees and Senior Management) and external (Regulators and External Auditors) stakeholders on the effectiveness of the Group's risk management and internal control framework;
- a compliance framework incorporating the design and testing of specific controls over key financial processes to confirm that the Group's key controls are appropriate to mitigate the financial reporting risks;
- a robust control process is followed as part of interim and annual financial statements preparation, involving the appropriate level of management review and attestation of the significant account line items, and

Corporate Governance Report (continued)

where judgements and estimates are made, they are independently reviewed to ensure that they are reasonable and appropriate. This ensures that the consolidated financial information required for the interim and annual financial statements is presented fairly and disclosed appropriately;

- the Annual Report and Interim Report are also subject to detailed review and approval through a structured governance process involving senior and executive finance personnel;
- summary and detailed papers are prepared for review and approval by the Group Audit Committee covering all significant judgemental and technical accounting issues, together with any significant presentation and disclosure matters; and
- user access to the financial reporting system is restricted to those individuals that require it for their assigned roles and responsibilities.

The Directors confirm that the Board, through its Committees, has reviewed the effectiveness of the Group's systems of internal control for the year ended 31 December 2017. This review involved consideration of the reports of the internal audit and the risk management functions, (including regulatory compliance) and establishing that appropriate action is being taken by management to address issues highlighted. In addition, any reports of the external auditors which contain details of any material control issues identified arising from their work are reviewed by the Group Audit Committee, if they arise.

Following the year ended 31 December 2017, the Board reviewed the Group Audit Committee's conclusions in relation to the Group's systems of internal control and the appropriateness of the structures in place to manage and monitor them. This process involved a confirmation that a system of internal control in accordance with the Financial Reporting Council Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (2014) was in place throughout the year and up to the date of the signing of these financial statements. It also involved an assessment of the ongoing process for the identification, evaluation and management of individual risks and of the roles of the various Committees and Group risk management functions and the extent to which various significant challenges facing the Group are understood and are being addressed. Further details of the risk management framework are included in the Risk Management Report on pages 49 to 55.

Group Code of Conduct and Speak Up Policy

The Group has a Code of Conduct in place which is applicable to all employees and Directors of the Group and which is reviewed annually. The Code of Conduct sets out the standards that are expected from all those who work for the Group and gives guidance on how these standards should be applied. Training on the Code of Conduct is mandatory across the Group.

The Group has a Speak Up policy in place for all staff, including Directors, which is in accordance with international practice. This policy is reviewed on an annual basis in line with the Group Code of Conduct. During 2017, the Group focused on increasing awareness efforts to improving the speak up culture, which included, the annual Policy Review, a module of mandatory web based training included in the Code of Conduct training, increased guidance notes to cover specific scenario events and a formal call to action to all employees on their Speak Up obligations. The Group will continue with a number of initiatives to further increase awareness in 2018. The Speak Up policy gives an assurance that it is safe and acceptable to raise a concern about malpractice, risk or potential wrongdoing and outlines how to speak up and raise a concern. The Board and Group Chief Executive are committed to this policy, which encourages staff to raise concerns openly and locally. Where this is not possible or the problem has not been resolved effectively at that level, there are clear alternative senior contacts within the Group to whom the concern may be addressed. In the case of concerns regarding fraudulent financial reporting, fraudulent accounting or irregularities in audit work, these can be raised directly with the Chairman of the Group Audit Committee. With reference to the Protected Disclosures Act 2014, a review of the Group Speak Up policy was conducted to ensure that the standards set out in this Act are being met.

Relations with shareholders

Communication with shareholders is given high priority. One of the responsibilities of the Chairman is to ensure effective communication with shareholders and to ensure that Directors develop an understanding of the views of major investors. The Group seeks to provide through its Annual Report a fair, balanced and understandable assessment of the Group's performance and prospects. The Group uses its website (www.bankofireland.com) to provide shareholders and potential investors with recent and relevant financial information, including annual and interim reports. Copies of presentations to analysts and investors are also made available on the Group website, so that information is available to all shareholders. Annual and interim results presentations are webcast live so that all shareholders can receive the same information at the same time.

The Investor Relations section on the Group's website is updated with presentations and all stock exchange releases as they are made. It also contains investor relations contact details. The Group has an active and well developed Investor Relations programme, which involves regular meetings by Executive Directors, selected senior executives and the Director of Group Investor Relations and other authorised speakers with the Group's principal institutional shareholders, other investors, financial analysts and brokers. All meetings with shareholders are conducted in such a way as to ensure that price sensitive information is not divulged. A dedicated Debt Investor section of the Group website provides access to relevant information, including presentations, publications and bond tables.

Directors receive an investor relations update from management at all scheduled Board meetings. The content of this update is varied, based on recent investor activities, but typically includes market updates, details of recent equity and debt investor interactions, share price and valuation analysis, analyst updates, and share register analysis. All Directors are encouraged and facilitated to hear the views of investors and analysts at first hand. The Chairman met with a number of major shareholders to discuss governance and remuneration matters in 2017 and the Board was updated on the outcome of these discussions. The Chairman and / or the Senior Independent Director are available to all shareholders if they have concerns that cannot be resolved through the normal channels.

Corporate Governance Report (continued)

Annual General Meeting
The aim of the Board is to make constructive use of the AGM and all shareholders are encouraged to participate in the proceedings. Questions are invited from shareholders in advance of the AGM, and a dedicated email address is provided for this purpose. A substantial part of the agenda of the AGM is dedicated to responding to shareholder questions. A 'Help Desk' facility is provided by the Group's registrar to assist shareholders to resolve any specific queries that they may have in relation to their shareholding. The AGC of the Bank was held on 28 April 2017 in the Aviva Stadium, Lansdowne Road, Dublin 4 ('2017 AGC').

In line with the Group's policy to issue notice of the AGC at least 20 working days before the meeting, notice of the 2017 AGC was circulated to stockholders on 15 March 2017. The Governor of the Bank (who is also Chairman of the Nomination and Governance Committee) and the Chairmen of the Audit Committee, Risk Committee and Remuneration Committee were in attendance to hear the views of shareholders and answer questions. It is usual for all Directors of the Court / Board at the time of the AGC / AGM to attend and all members of the Court attended the 2017 AGC, with the exception of Brad Martin.

At the 2017 AGC, separate resolutions were proposed on each substantially separate issue and voting was conducted by way of poll. The results of every general meeting of the Company, including details of votes cast for, against and withheld on each resolution, are posted on the Group's website and released to the Irish and London Stock Exchanges.

The AGM of the Company in 2018 is scheduled to be held on Friday 20 April 2018. Shareholders who will be unable to attend on this date are encouraged to submit queries and vote in advance to ensure continued participation.

Report of the Group Nomination and Governance Committee

Archie G Kane, Chairman

Dear Shareholder,

On behalf of the Group Nomination and Governance Committee ('N&G Committee'), I am pleased to present our report on the N&G Committee's activity during the financial year ended 31 December 2017.

Membership and meetings
At close of business on 31 December 2017, the N&G Committee comprised three Non-executive Directors and its composition is fully compliant with the Irish Code, the UK Code and CRD IV. Pat Butler resigned from the N&G Committee on 31 December 2017. I chair the Committee, as Board Chairman, other than when the N&G Committee is dealing with the appointment of a successor to the role of Board Chairman. Biographical details, including each member's background and experience, are set out on pages 89 to 92.

The N&G Committee met eight times in 2017, six of which were scheduled meetings. The Chairman and Members of the N&G Committee, together with their attendance at meetings, are shown below. The Group Chief Executive is invited to attend meetings. The N&G Committee meets annually with no management present.

Member attendance in 2017:

N&G committee meetings	Eligible to attend	Attended
Archie G Kane	8	8
Pat Butler	8	7
Patrick Haren	8	8
Patrick Kennedy	8	8

Matters considered by the N&G Committee
In addition the matters considered, and action taken by the N&G Committee during the year are set out below.

Role and responsibilities
The key responsibilities of the N&G Committee are set out in its terms of reference and include:
- leading the process for appointments and renewals for the Board and Board Committees;
- overseeing the process for appointments and renewals of the Boards of substantial regulated subsidiaries;
- with the support of the Group Secretary, keeping Board governance arrangements under review and making appropriate recommendations to the Board to ensure corporate governance practices are consistent with good practice corporate governance standards;

Matters considered and action taken by the N&G Committee in 2017

Area of focus	Role of the N&G Committee
Board and committee size and composition including succession planning	• Reviewed Board and Board Committee composition, skills and succession plans including approving the appointment of the new CEO and succession planning for key roles on the Board, taking into account the skills profile of the Board. • Reviewed the annual effectiveness evaluation of the Board and its Committees including individual directors and approved follow-up actions from the externally conducted review in 2016 by Independent Audit Limited. Reviewed the annual effectiveness evaluation of the N&G Committee. • Assessed the fitness and probity and approved the appointment of PCF role holders. Approved the annual PCF reconfirmation.
Governance	• Reviewed and recommended the Group Culture Programme. • Approved and recommended to the Board for approval updated corporate governance documents, including the Group Corporate Governance Statement and Annual Compliance Statement. • Reviewed and approved key governance policies including: the Code of Conduct, the Speak Up Policy, Board Conflicts of Interest Policies and reviewed the Subsidiary Governance Policy. • Reviewed developments in corporate governance, including the revised EBA Guidelines on Internal Governance. • Recommended appointments to the Group's Pension Schemes.
Executive succession planning and performance review	• Reviewed the performance of senior executives. • Approved the Group Executive Committee Terms of Reference.
Subsidiary governance	• Reviewed board composition and succession planning for substantial regulated subsidiaries and reviewed key subsidiary board appointments. • Reviewed the effectiveness evaluations of the boards of substantial regulated subsidiaries. • Reviewed subsidiary nomination committee minutes. • Provided oversight on the Individual Accountability Regime.
Corporate responsibility	• Reviewed the Corporate Responsibility Programme and Responsible Business Report. • Reviewed the Group Modern Slavery Statement.
Corporate reorganisation	• Reviewed key governance documentation for the new Group holding company, BOIG plc.

Report of the Group Nomination and Governance Committee (continued)

- overseeing subsidiary governance to ensure that appropriate and proportionate governance arrangements are in place for Group subsidiaries; and
- overseeing the Group's Corporate Responsibility Programme.

Board composition and diversity
The Board benefits from the diverse range of skills, knowledge and experience acquired by the Non-executive Directors as directors of other companies, both national and international, or as leaders in the public and private sectors. The effectiveness of the Board depends on ensuring the right balance of Directors with banking or financial services experience and broader commercial experience. Following review in 2017, the N&G Committee approved a Board skills matrix and determined that the skills profile of the Board was appropriate to the business of the Group including:
- Major Business Lines (including retail, corporate & treasury and insurance).
- Geographies (including Ireland, UK, Europe and the US).
- Significant Subsidiaries.
- Products (including retail banking, corporate banking, Insurance and treasury services).
- Group wide risks (including business and strategic, conduct, credit, life insurance, funding and liquidity, market, operational, pension, regulatory and reputational risks);
- Governance.
- Risk management, compliance and audit (including strategy, capital, funding & liquidity, regulation, whistleblowing transformation and change, customer engagement, business environment and engagement with investors / capital markets).
- Management strategy and decision-making (including strategy, culture, management oversight, ethics and values, business sustainability, stakeholders and corporate governance).

Directors bring their individual knowledge, skills and experience to bear in discussions on the major challenges facing the Group.

The Group recognises the benefits of having a diverse board and workforce. In reviewing Board composition and identifying suitable candidates, the N&G Committee considers the benefits of all aspects of diversity including the skills identified as relevant to the business of the Group, regional and industry experience, background, nationality, gender, age and other relevant qualities in order to maintain an appropriate range and balance of skills, experience and background on the Board. All Board appointments are made on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective.

During 2017 the N&G Committee reviewed the Board Diversity Policy (the latest version of which is available on the Group's website) and the measurable objectives set out thereunder. The Board has set a target of achieving a minimum of 33% female representation on the Board for the year ending 31 December 2020. As at 31 December 2017 there was 30% female representation on the Board. The Group is also addressing diversity in the Group's workforce through an Inclusion and Diversity Programme, which recognises that developing and utilising the skills and perspectives of all of our employees is critical to the Group's ongoing business success.

As Chairman of the N&G Committee, I reported to the Board after each meeting to ensure all Directors were fully informed of the N&G Committee's activities. I would like to thank the N&G Committee members and attendees for their contribution and support in steering the work of the N&G Committee throughout 2017.

Archie G Kane
Chairman of the Group Nomination & Governance Committee
23 February 2018

Report of the Group Remuneration Committee

Patrick Haren, Chairman

GRC meetings	Eligible to attend	Attended
Patrick Haren	6	6
Kent Atkinson	6	5
Pat Butler	6	6
Richard Goulding	2	1
Archie G Kane	6	6

Member attendance in 2017:

Dear Shareholder,

On behalf of the Group Remuneration Committee (GRC), I am pleased to present our report on the GRC's activities during the financial year ended 31 December 2017.

Membership and meetings
At close of business on 31 December 2017, the GRC comprised four independent Non-executive Directors from diverse backgrounds to provide a balanced and independent view on remuneration matters. The GRC is chaired by the Senior Independent Director and its composition is compliant with the requirements of the Irish Code and CRD IV, and with the recommendations of the UK Code.

Richard Goulding was appointed to the GRC on 20 July 2017 and Pat Butler resigned from the GRC on 31 December 2017. In order to ensure that remuneration policies and procedures are consistent with effective risk management, there is common membership between the GRC and the BRC. Kent Atkinson, Pat Butler and Richard Goulding have been members of both committees in 2017. Biographical details, including each member's background and experience, are set out on pages 89 to 92.

The GRC met six times in 2017, five of which were scheduled meetings. The Chairman and Members of the GRC, together with their attendance at meetings, are shown above. The Group CEO, Head of Group HR and the Head of Group Performance and Reward are invited to attend meetings as appropriate.

Role and responsibilities
The GRC holds delegated responsibility from the Board for the oversight of Group-wide remuneration policy with specific reference to the Chairman, Directors and senior management across the Group, and those employees whose activities have a material impact on the Group's risk profile.

The GRC is responsible for overseeing the annual review of the Group Remuneration policy with input from the Court Remuneration Committee, relevant risk management functions and the BRC.

The remuneration of Non-executive Directors is determined and approved by the Board. Neither the Chairman nor any Director participates in decisions relating to their own personal remuneration.

The Group is currently operating under a number of remuneration restrictions which cover all Directors, senior management, employees and certain service providers across the Group. For further information, please see page 118 of the Remuneration Report.

Deloitte are the current advisors to the Group Remuneration Committee. In addition to the provision of remuneration services to the Remuneration Committee of Bank of Ireland UK plc, Deloitte provided the following services to the Group in 2017:
- Programme Management and support for Change Projects.
- Programme Management for Regulatory projects.
- Digital Capability.
- Data Analytics.
- Support for Insurance Broker tender.
- Risk Advisory Support.

Matters considered by the GRC
The matters considered, and action taken by the GRC during the year are set out in the table below.

As Chairman of the GRC, I reported to the Board after each meeting to ensure all Directors were fully informed of the GRC's activities. I would like to thank the GRC members and attendees for their contributions and support in steering the work of the GRC throughout 2017.

Matters considered and action taken by the GRC in 2017

Area of focus	Role of the GRC
Annual Remuneration Review	• Considered the external Remuneration Policy review with input from the relevant risk management functions and the BRC and adopted the Group Remuneration Policy. Approved changes to the Group Remuneration Policy as a result of the implementation of MiFID II. • Approved the performance and remuneration of the Group CEO, and the GEC. • Reviewed the remuneration of the Chairman of the Board. • Approved the remuneration terms for senior management appointments. • Approved the performance and remuneration for senior management . • Reviewed and approved the Group's Code Role policy, process and procedures.
Risk and conduct	• Reviewed the Group Risk profile and its relationship to Remuneration. • Approved the Group Code Role Holder List.
Disclosures and governance	• Recommended the draft Remuneration Reports in the Annual Report. • Recommended the remuneration element of the Pillar III disclosures. • Approved governance documentation in respect of remuneration matters for BOIG plc and approved appropriate changes to Non-executive Directors and Executive contracts. • Reviewed the evaluation of the GRC's effectiveness and approved the process for the internal evaluation of the GRC's performance. • Reviewed and approved the GRC's Annual Schedule of Topics and reviewed its Terms of Reference.

Patrick Haren
Chairman of the Group Remuneration Committee
23 February 2018

Report of the Group Audit Committee

Kent Atkinson, Chairman

Dear Shareholder,

On behalf of the Group Audit Committee (GAC), I am pleased to present our report on the GAC's activity during the financial year ended 31 December 2017.

Membership and meetings

At close of business on 31 December 2017, the GAC comprised five Non-executive Directors. Tom Considine resigned from the GAC on 31 December 2017. The Board believes that I am considered independent and I may be regarded as an Audit Committee financial expert and that the GAC as a whole has an appropriate mix of skills, experience, professional qualifications, knowledge and relevant financial / banking experience. Patrick Kennedy is the Chairman of the BRC and I am also a member of the BRC. Patrick Mulvihill and Davida Marston were also members of the BRC during 2017. Patrick Haren is Chairman of the GRC and I am also a member of the GRC. This common membership helps facilitate effective governance across all finance and risk issues, and ensures that agendas are aligned and overlap of responsibilities is avoided where possible. Biographical details, including each member's background and experience, are set out on pages 89 to 92.

The Chairman and members of the GAC, together with their attendance at meetings are shown below.

Member attendance in 2017:

GAC meetings	Eligible to attend	Attended
Kent Atkinson	13	13
Tom Considine	13	13
Patrick Haren	13	13
Patrick Kennedy	13	13
Davida Marston	13	10
Patrick Mulvihill	13	13

The GAC's performance during 2017 was assessed as part of Board / Committee performance evaluation process and is set out on page 99 of this report.

Matters considered by the GAC

The GAC met 13 times in 2017, ten of which were scheduled and matters considered / action taken by the GAC during the year are set out below.

Role and responsibilities

The key responsibilities of the GAC are set out in its terms of reference, which are available on the Group's website (www.bankofireland.com) and are reviewed annually and approved by the Board.

Matters considered and action taken by the GAC in 2017

Area of focus	Role of the GAC
Internal controls and risk management	• Reviewed the effectiveness of the Group's internal controls, including financial reporting controls review, IT@BOI review, reports from Group Internal Audit, Group Compliance and Regulatory Risk and the Group Anti-Money Laundering Officer. • Reviewed the Group's fraud protection and prevention programme. • Reviewed the Group's BCBS 239 Programme. • Reviewed reports from the Group Investment Committee - post implementation reviews for individual capital expenditure of over €20 million. • Recommended the Group's ICAAP and ILAAP processes. • Reviewed the internal governance arrangements with respect to Liquidity Coverage Ratio (LCR) Regulatory Reporting.
External reporting	• Reviewed and recommended annual and interim reporting including the significant accounting and judgemental matters. • Recommended the Group Impairment Policy and impairment provisions. • Approved the Going Concern assessment and the Group's Viability Statement. • Approved the Group's existing accounting policies, and new and significant changes in existing policies, prior to implementation. • Reviewed the Group's preparations for IFRS 9 and GDPR. • Approved the Group's Pillar III Disclosure Policy; disclosures and non-disclosures (due to immateriality) and Country by Country Reporting disclosures.
Internal auditors	• Approved the Internal Audit plan. • Reviewed Group Internal Audit (GIA) findings and management's response to GIA audits. • Approved annual review of GIA's Charter.
External auditors	• Reviewed the external auditors plan, report, external audit findings and the external auditor's engagement letter. • Reviewed the Group's audit tender plans, provided oversight for a competitive tender process and reviewed the audit transition process. • Considered the effectiveness of the External Auditor. • Approved the Non-audit Services Policy and non-audit fees for the External Auditor.
Governance and talent	• Recommended the governance documentation including the prospectus and processes for the establishment of BOIG plc. • Reviewed and recommended the 2017 Annual Compliance Statement. • Recommended the GAC's Terms of Reference and approved the GAC's Annual Schedule of Topics. • Reviewed the evaluation of GAC effectiveness. • Reviewed talent development and succession planning for the finance function in the Group.

Report of the Group Audit Committee (continued)

One of the key responsibilities of the GAC is to assist the Board in monitoring the integrity of the financial statements and to recommend to the Board that it believes that the Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. To achieve this for the current reporting period, the GAC reviewed the Annual Report and considered whether the financial statements were consistent with the operating and financial reviews elsewhere in the Annual Report. The GAC also reviewed the governance and approval processes in place in the Group relating to the financial statements and the GAC Report within the Corporate Governance Statement. These governance and approval processes include the completion by management of disclosure checklists to ensure all required disclosures from applicable company law, listing requirements and accounting standards are included and review of the draft Annual Report by the Disclosure Committee. In considering whether the Annual Report was fair, balanced and understandable, the GAC also considered the treatment and disclosure of key events as presented in the financial statements.

Significant issues
The GAC considered, inter alia, the following significant issues in its review of the financial statements for the year ended 31 December 2017. In addressing these issues, the GAC considered the appropriateness of management's judgements and estimates and, where apposite, discussed those judgements and estimates with the External Auditor.

Loan impairment
The GRPC approves the Group's provisioning methodology on a half yearly basis. The BRC, on an annual basis, provides observations on the Group's asset quality management and profile to the GAC as an input into the GAC's assessment of year end impairment provisions.

The GAC considered the methodology for loan loss provisioning, including the specific trigger events which are considered as an indicator of impairment, as set out on pages 65 to 68 and an asset quality report from the BRC. The GAC also discussed and challenged management's assumptions used in determining the overall level of impairments recognised in the financial year and the total impairment allowance at the year end with management noting the requirements of IAS 39 in respect of the timing of recognition of impairments (the incurred loss methodology) and the requirements of the relevant regulatory authorities.

The GAC reviewed management papers and was satisfied that the level of loans classified as impaired and non-performing at year end was consistent with the Group's methodology, and that the calculation and resulting provision recognised and disclosures were appropriate, based on the relevant accounting and disclosure standards including, among others, IAS 39 and IFRS 7.

Deferred tax assets
The GAC considered the extent of DTAs to be recognised in respect of unutilised tax losses, and in particular the projections for future taxable profits against which those losses may be utilised. In order for the Group to recognise these assets, it must be probable that sufficient future taxable profits will be available against which the losses can be utilised.

The Group has prepared financial projections which are being used to support the Group's Internal Capital Adequacy Assessment Process (ICAAP). The projections for future taxable profits incorporate economic factors (e.g. economic activity including projected growth levels, unemployment levels, interest rates, etc.) and projected operating performance for each division within the Group (e.g. projected new business, margins, costs, loan losses, etc.). As part of this process, the Group prepares impairment projections, involving a review of projection models for loan loss provisions and challenge of key assumptions and scenarios.

The financial projections are prepared for the purpose of the Group's assessment of its capital adequacy. They are subjected to considerable internal governance at a divisional and Group level and are reviewed and approved by executive management and the Board. Management's assessment of the projections determined that it was probable that there would be sufficient taxable profits in the future to recover the DTA arising from unused tax losses.

The GAC discussed with management its assessment of the recoverability of the DTA and the related disclosures. The GAC and the Board concluded that it was probable that there would be sufficient taxable profits in the future to recover the DTA arising from unused tax losses, and that the related disclosures were as required under IAS 12.

Retirement benefit obligations
The GAC considered management's key assumptions and judgements used in determining the actuarial values of the liabilities of each of the Group's sponsored DB pension schemes under IAS 19. Management considered advice from independent actuaries, Willis Towers Watson, for the determination of significant actuarial assumptions including discount rates and inflation. The key assumptions proposed by management and considered by the GAC were assumptions relating to inflation rates, demographic assumptions and discount rates in Ireland and the UK which are used in determining liabilities at the balance sheet date.

During 2017, the Group refined its approach to the determination of the discount rate used to value sterling denominated liabilities under IAS 19 by adopting an alternative model produced by the independent actuary and available to all its clients. The GAC considered this refinement and its appropriateness for the determination of the discount rate applied to the Group's sterling schemes.

The GAC was satisfied that the inflation rates, discount rates and other significant assumptions were appropriate and that the accounting for the Group's sponsored DB pension schemes and related disclosures was in accordance with IAS 19.

Further detail on the inflation rates, discount rates and other significant assumptions related to retirement benefit obligations are set out in note 44 to the consolidated financial statements.

Tracker Mortgage Examination
The GAC considered management's assessment of the impact of the Central Bank of Ireland's Tracker Mortgage Examination, including the level of provisioning and the presentation of the charge as a non-core item, excluded from underlying profit before tax. The GAC was satisfied that the level of provisioning, related disclosures and presentation were appropriate.

Report of the Group Audit Committee (continued)

Life assurance operations
During 2017, the Group changed its accounting policy for the valuation of insurance contract liabilities and ViF business, as set out on page 148. The GAC considered management's rationale for the change, and was satisfied that the revised policy was more relevant and no less reliable than the previous policy, and was consistent with current market practice and requirements.

The GAC considered management's key assumptions and judgements used in determining the ViF business and insurance contract liabilities. The key assumptions in projecting future surpluses and other net cash flows attributable to the shareholder arising from business written were the interest rate and unit growth rate, lapse rates, mortality, morbidity and expenses.

The GAC was satisfied that the significant assumptions are appropriately applied and that the accounting for the Group's ViF business and insurance contract liabilities is appropriate.

IFRS 9 transition
The GAC considered the estimated impact on shareholders' equity of transition to IFRS 9 on 1 January 2018. The GAC reviewed management papers and discussed and challenged management judgements used in determining the correct classification and measurement of financial assets and the opening stock of impairment loss allowance based on IFRS 9 requirements. The GAC considered the associated disclosures and concluded that they were appropriate based on the relevant accounting and disclosure standards, principally IAS 8.

Further information on the impact of this new accounting standard is set out on page 159 in note 1 to the consolidated financial statements.

BOIG plc's investment in the Bank
In relation to the financial statements of the Company, the GAC considered management's assessment of the recoverability of the Company's investment in the Bank, which arose from the corporate reorganisation of 7 July 2017.

The GAC considered management's assessment of both the fair value of the investment, based on the share price of the Company with appropriate adjustments, and its value in use, based on the financial projections set out in the Group's business plan. The GAC was satisfied that the higher of fair value and value in use was in excess of the carrying value of the investment, and that no impairment charge was required.

For further information see note a on page 135 in the Company financial statements.

Going concern
The GAC considered management's assessment of the appropriateness of preparing the financial statements of the Group for the year ended 31 December 2017 on a going concern basis. In making this assessment, matters considered include the performance of the Group's business, profitability projections, funding and capital plans, under both base and plausible stress scenarios. The considerations assessed by the GAC are set out on page 148 in the Going Concern disclosure within the Accounting Policies in note 1 to the consolidated financial statements.

On the basis of the review performed and the discussions with management, the GAC was satisfied that there were no material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern over the period of assessment. This assessment together with the Going Concern disclosure (as set out on page 148) was subsequently approved by the Board.

IT operational risk
The GAC considered and discussed management's assessment of IT risks and the ongoing risk management programme to identify, rate, mitigate and report on IT risks, including GIA's review of the internal control considerations related to the Group's IT investment programme. On the basis of the review performed, discussions with management, and the continued operation of the comprehensive internal control framework over financial reporting, the GAC was satisfied that these risks do not impact financial reporting.

Further information on these significant items is set out in the Critical Accounting Estimates and Judgements on pages 160 to 162.

Other responsibilities
The GAC is responsible for the appropriateness and completeness of the system of internal control. In close liaison with the BRC, it reviews the manner and framework in which management ensures and monitors the adequacy of the nature, extent and effectiveness of internal control systems, including accounting control systems, and thereby maintains an effective system of internal control.

In addition, the GAC has responsibility for:
- assisting the Board in meeting obligations under relevant Stock Exchange listing rules and other applicable laws and regulations;
- monitoring and reviewing the effectiveness of the Group's Internal Audit function and its operations; and
- discharging the statutory responsibility of the Company under relevant statutes or regulations.

The GAC is also responsible for overseeing all matters relating to the relationship between the Group and its External Auditors, including the external audit plan, terms of engagement, audit and non-audit fee arrangements, interim findings and audit finding reports. The GAC also meets annually with the External Auditors without management present. PricewaterhouseCoopers (PwC) have acted as sole auditors to the Group since 1990. The External Auditors are required to rotate the Group audit engagement partner every five years and this process occurred in 2015. Kevin Egan of PwC has been the Group's senior audit partner with effect from the audit for the 2015 financial year.

The Group is committed to ensuring the independence and objectivity of the External Auditor and on an annual basis the GAC formally reviews the effectiveness, independence and performance of the External Auditor. This process is supported by tailored questionnaires completed by GAC members and relevant senior management personnel. The responses received in 2017 were collated and presented to the GAC for discussion. Based on the results and assessment of the review process and the GAC's own interactions with the External Auditors, the GAC concluded that they were satisfied with the performance of PwC as External Auditor.

As an additional check on independence, the GAC has developed and implemented a Group Policy on the Provision of Non-Audit Services by the Group's Statutory Auditor. The Group policy ensures, among other things, that auditor objectivity and independence are not

Report of the Group Audit Committee (continued)

compromised. Under this policy, a key procedural control requires that any engagement of the external auditors to provide non-audit services must be approved in advance by the GAC. It is the Group's policy to engage the Statutory Auditor to provide non-audit services only where they are required by legislation, regulation or where this is required by an underwriter in a capital markets transaction. The GAC monitors compliance with the Group policy on the provision of non-audit services and receives reports on the performance of such services.

The fees paid to PwC for the year ended 31 December 2017 amounted to €6.0 million (2016: €4.9 million), of which €2.4 million (2016: €1.3 million) was payable in respect of non-audit services. Non-audit services represented 66% of the statutory audit fee (2016: 36%). Further information on fees paid in respect of audit and non-audit services, along with details of non-audit services provided during the year are set out in note 14 on page 172 of the consolidated financial statements 'Auditors' remuneration'.

Having considered the impact of the updated EU regulatory framework on statutory audits and the relevant recommendation of the UK Code, and to ensure the continuing quality and effectiveness of the external audit service, the Group had previously announced its intention to conduct an external audit tender in 2017. Following a transparent and competitive tender process, including presentations from all candidate firms and discussions with management, the GAC recommended to the Board that KPMG be appointed to replace PwC as the external auditor of the Group commencing with the 2018 financial year. This appointment will be the subject of advisory resolution at the Company's 2018 AGM.

The GAC was provided with a technical training session on relevant accounting matters during the year. The GAC also meets annually with the Group Chief Internal Auditor and with the PwC Group Audit Partner without any other management present and with senior management.

As Chairman of the GAC, I reported to the Board after each meeting to ensure all Directors were fully informed of the GAC's activities. I wish to thank the GAC members and attendees for their contributions and support in steering the work of the GAC throughout 2017.

I would also like to take this opportunity to thank PwC for their significant contribution as the Group External Auditor since their appointment as sole auditors to the Group in 1990.

Kent Atkinson
Chairman of the Group Audit Committee
23 February 2018

Business Review
Governance
Financial Statements
Other Information

Report of the Board Risk Committee

Patrick Kennedy, Chairman

Dear Shareholder,

On behalf of the Board Risk Committee (BRC), I am pleased to present our report on the BRC's activity during the financial year ended 31 December 2017.

The BRC is established to monitor risk governance and to assist the Board in discharging its responsibilities in ensuring that risks are properly identified, reported, and assessed; that risks are properly controlled; and that strategy is informed by and aligned with the Group's risk appetite.

Membership and meetings

At close of business on 31 December 2017, the BRC comprised four Non-executive Directors. Patrick Mulvihill and Davida Marston resigned as members of the BRC on 19 May 2017, and Tom Considine and Pat Butler resigned as members of the BRC on 31 December 2017. Richard Goulding was appointed to the BRC on 20 July 2017. Patrick Mulvihill was re-appointed to the BRC on 1 January 2018. Kent Atkinson and Richard Goulding are members of the GRC and Pat Butler was a member of both committees during 2017. Kent Atkinson is Chairman of the GAC and I am also a member of the GAC.

This common membership helps facilitate effective governance across all finance and risk issues, including remuneration decisions, ensures that agendas are aligned and overlap of responsibilities is avoided where possible.

Biographical details, including each member's background and experience, are set out on pages 89 to 92.
The BRC met eleven times in 2017. The Chairman and Members of the BRC, together with their attendance at meetings, are shown below.

Member attendance in 2017:

BRC meetings	Eligible to attend	Attended
Patrick Kennedy	11	11
Kent Atkinson	11	10
Pat Butler	11	9
Tom Considine	11	11
Richard Goulding	5	5
Davida Marston	5	4
Fiona Muldoon	11	11
Patrick Mulvihill	5	5

Matters considered and action taken by the BRC in 2017

Area of focus	Role of the BRC
Risk Strategy and management	• Recommended the RAS and approved the Group Risk Framework and Policy, and the Group Risk Identification Process. • Reviewed the top five risks facing the Group and considered the impact of rising bond yields on the Group and the impact of Brexit. • Reviewed quarterly risk reports, the Group Recovery Plan and the quality of risk disclosures by the Group.
Operational risk	• Approved the operational risk framework, including the RADAR system. • Reviewed IT risk and cybercrime and model risk. • Considered on an ongoing basis business continuity, technology, information security, cyber security and payments risk profiles.
Credit risk	• Reviewed the Group's asset quality. The observations of this asset quality review were brought to the attention of the GAC in the context of its assessment of impairment provisions. • Recommended the non-performing loans strategy and operating plan. • Recommended the Group Credit Policy. • Reviewed the Group Country Risk Policy and limits including the UK limit post Brexit and the Group's Brexit Credit Risk Monitoring Programme. • Reviewed credit risk transfer transaction.
Market risk	• Recommended the Group Market Risk Policy and reviewed controls on discretionary risk and stress testing and approved the Group Policy on Derivatives.
Liquidity Risk	• Recommended the Group Funding and Liquidity Policy and management strategy including the Contingency Funding Plan and the Group Liquidity Stress Testing Position.
Other risk	• Approved the regulatory risk framework including ongoing monitoring of the regulatory change programmes. • Approved Group Conduct Risk Framework and Policy, Group Property Collateral Valuation Policy, Anti-Money Laundering Policy, Group Sanctions and Countering the Financing of Terrorism Policy, and the Group Reputation Risk Policy. • Reviewed reports from the Head of Group Governance and Regulatory Risk and risk updates from significant subsidiaries. • Reviewed the Risk Mitigation Programme, material regulatory interactions and terms of reference for the Tracker Mortgage Examination Review. • Reviewed and considered Pension Risk, including the Group pension position.
Governance	• Reviewed the BRC effectiveness evaluation and the discharge of its duties. Approved the BRC Terms of Reference and its Annual Schedule of topics. • Reviewed the minutes of risk committee meetings of material subsidiaries. • Provided the GRC with risk input into the Group Remuneration Policy.

Report of the Board Risk Committee (continued)

Matters considered by the BRC
The matters considered, and action taken by the BRC during the year are set out on page 110.

Role and responsibilities
The BRC makes recommendations to the Board on risk issues where the Board has reserved authority, maintains oversight of the Group's risk profile, including adherence to Group risk principles, policies and standards, and approves material risk policies within delegated discretion. Further information on the Group risk management framework and the risk governance of the Group is set out in the Risk Management Report on pages 49 to 55.

The BRC also provides advice to the GRC to inform remuneration decisions from a risk perspective, monitors the risk elements of any due diligence appraisal of any acquisition or divestment activity reserved for Board decision, as required, and considers the findings of Group Internal Audit and Group Credit Review in respect of risk management.

The Boston Consulting Group undertook a review of the effectiveness of the Court Risk Committee covering the areas of agenda, role, attendance and membership. The overall conclusion was that Committee was effective with a number of opportunities to improve efficiency. An action plan was agreed and significantly implemented during 2017.

The GRPC is the most senior management risk committee and reports to the BRC. During 2017, the BRC reviewed the terms of reference of the GRPC.

On an ongoing basis, the BRC reviews decisions of the GRPC through its minutes as presented to the BRC and receives reports from the committee chairman. Further details on the role of the GRPC in the risk governance of the Group are set out in the Risk Management Report on page 51.

As Chairman of the BRC, I reported to the Board after each meeting to ensure all Directors were fully informed of the BRC's activities. I would like to thank all of the BRC members and attendees for their contributions and support in steering the work of the BRC throughout 2017.

Patrick Kennedy
Chairman of the Board Risk Committee
23 February 2018

Attendance table

Attendance at scheduled and unscheduled meetings of the Board and its Committees during the year ended 31 December 2017.

Name	Board scheduled		Board unscheduled		Group Audit Committee scheduled		Group Audit Committee unscheduled		Group Nomination and Governance Committee scheduled		Group Nomination and Governance Committee unscheduled		Group Remuneration Committee scheduled		Group Remuneration Committee unscheduled		Board Risk Committee scheduled		Board Risk Committee unscheduled	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Kent Atkinson	11	10	6	4	10	10	3	3	-	-	-	-	5	4	1	1	11	10	-	-
Richie Boucher[1]	8	6	5	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pat Butler[2]	11	10	6	6	-	-	-	-	6	5	2	2	5	5	1	1	11	9	-	-
Tom Considine[3]	11	11	6	6	10	10	3	3	-	-	-	-	-	-	-	-	11	11	-	-
Richard Goulding[4]	5	4	2	2	-	-	-	-	-	-	-	-	1	1	1	-	5	5	-	-
Patrick Haren	11	11	6	6	10	10	3	3	6	6	2	2	5	5	1	1	-	-	-	-
Archie G Kane	11	11	6	6	-	-	-	-	6	6	2	2	5	5	1	1	-	-	-	-
Andrew Keating	11	11	6	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Patrick Kennedy	11	11	6	6	10	10	3	3	6	6	2	2	-	-	-	-	11	11	-	-
Davida Marston[5]	11	11	6	5	10	9	3	1	-	-	-	-	-	-	-	-	5	4	-	-
Bradley Martin[6]	4	3	3	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Francesca McDonagh[7]	3	3	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fiona Muldoon	11	11	6	6	-	-	-	-	-	-	-	-	-	-	-	-	11	11	-	-
Patrick Mulvihill[8]	11	11	6	6	10	10	3	3	-	-	-	-	-	-	-	-	5	5	-	-

Column A: *Indicates the number of meetings held during the period the Director was a member of the Board and / or the Committee and was eligible to attend.* **Column B:** *Indicates the number of meetings attended.*

1 *Resigned from the Board on 1 October 2017.*
2 *Resigned from the Board, Risk, Nomination and Remuneration Committees on 31 December 2017.*
3 *Resigned from the Board, Audit and Risk Committees on 31 December 2017.*
4 *Appointed to the Board, Risk and Remuneration Committees on 20 July 2017.*
5 *Resigned from the Risk Committee on 19 May 2017.*
6 *Resigned from the Board on 28 April 2017.*
7 *Appointed to the Board on 2 October 2017.*
8 *Resigned from the Risk Committee on 19 May 2017.*

Further to a scheme of arrangement approved by stockholders, Bank of Ireland Group plc (BoIG plc) became the ultimate parent company of the Group on 7 July 2017, when The Governor and Company of the Bank of Ireland (the Bank) became its sole direct subsidiary. In preparation for the scheme of arrangement, the Board of BoIG plc (the Board) was appointed on 23 March 2017 and, from the effective date of the scheme of arrangement, the composition of the Board and the Court of the Bank (the Court) have been identical. Meetings of the Board and the Court are run concurrently. Attendance at meetings of the Court prior to 23 March 2017 are counted as an attendance for the purposes of the table above. Concurrent meetings of the Board and the Court are counted as a single attendance in the table above.