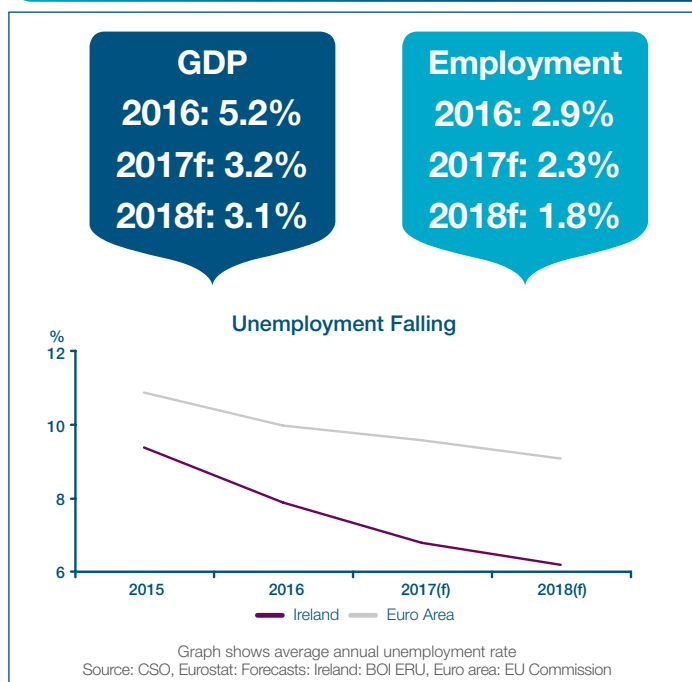


## 2016 Business highlights

- ▶ Continued organic capital generation
  - ▶ Fully loaded CET1 up 100bps to 12.3%
  - ▶ Transitional CET1 up 90bps to 14.2%
- ▶ Underlying profit of €1,071m in 2016
- ▶ NIM of 2.19% (H1 2016 - 2.11%, H2 2016 - 2.27%)
- ▶ Strong discipline on pricing and risk – priority is to protect and generate capital
- ▶ New lending of €13.0bn increased 1% YoY
  - ▶ Continue to be largest lender to the Irish economy in 2016
  - ▶ Growth in core loan book of €1.7bn
- ▶ NPLs reduced by €4.1bn (34%) in 2016 to €7.9bn;
  - ▶ All asset categories reduced
  - ▶ Defaulted loans of €6.9bn now c.8% of customer loans; down >60% from reported peak in June 2013
- ▶ Net impairment charge of 21bps in 2016 vs 32bps in 2015

## Favourable macroeconomic environment

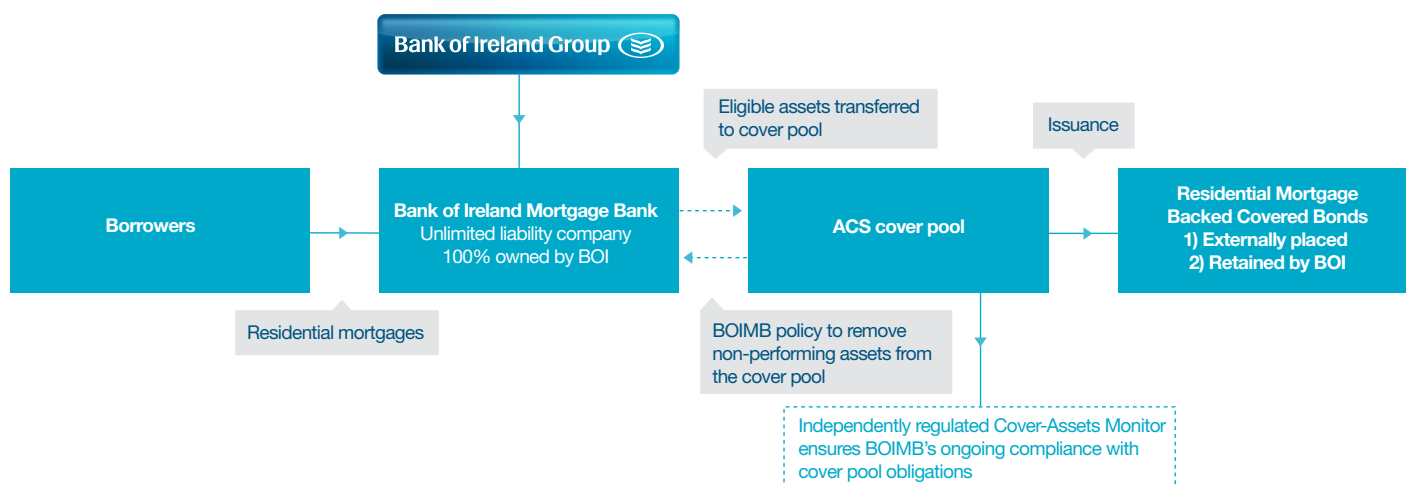


## Key Features: Bank of Ireland Mortgage Bank ACS

1. 100% Irish residential mortgages
2. Cover pool marked to market at intervals not exceeding 3 months using Central Statistics Office (CSO) Residential Property Price Index
3. Strong overcollateralisation (OC) - min contractual OC of 5% and min legislative OC of 3% (both on a prudent market value basis)
4. BOIMB policy to remove non-performing assets (payment due ≥ 3 months) from the pool on a quarterly basis
5. Compliance with cover pool obligations monitored by independently regulated Cover Assets Monitor
6. Pre-defined process in event of insolvency

## Bank of Ireland Mortgage Bank (BOIMB)

- ▶ Irish ACS legislation follows the specialist banking principle by requiring BOIMB to obtain a banking licence and to limit the scope of its banking activities
- ▶ BOIMB is regulated by the Central Bank of Ireland
- ▶ BOIMB is registered as a designated mortgage credit institution to issue Asset Covered Securities (Irish Covered Bonds) in accordance with the Irish ACS Acts



## Cover Pool Summary

### ACS definitions

#### Total property valuation:

Indexed property valuation based on CSO Residential Property Price Index (quarterly)

#### Weighted average indexed LTV (Loan to Value):

An average of the individual indexed LTV calculations weighted by the current balance of each property. The indexed LTV of a property is the current balance of a mortgage divided by the historical property valuation indexed up to date with a 15% discount applied to any uplift in valuation

#### Non-performing loan (NPL)

A loan in arrears of 3 months or more. BOIMB policy to remove NPLs on a quarterly basis

#### Prudent market value of mortgages:

Nominal value of the mortgage capped at 75% of the indexed property valuation

#### Qualified substitution assets:

Deposits with eligible financial institution (BOI) capped at 15% of bonds in issue

#### Prudent market value of cover pool:

Prudent market value of mortgages plus qualified substitution assets

#### Legislative overcollateralisation:

Prudent market value of mortgages plus qualified substitution assets divided by bonds in issue

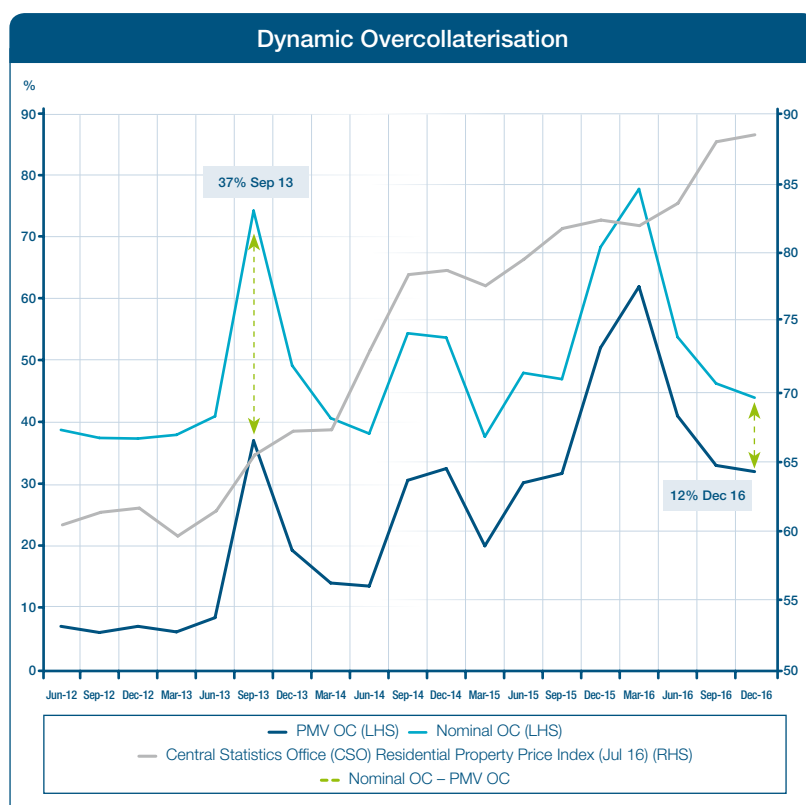
For further detail see:

[www.bankofireland.com/debtinvestor](http://www.bankofireland.com/debtinvestor)

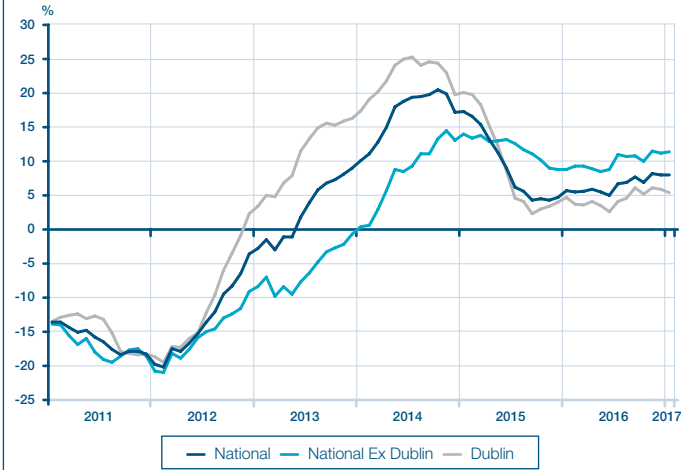
- ▶ Accounts in arrears of 3 months or more removed voluntarily each quarter
- ▶ Marked to market cover pool

Table 1 Cover Pool Summary	Mar-16	Jun-16	Sep-16	Dec-16
Total property valuation (bn)	€22.1	€21.7	€21.0	€21.3
Aggregate balances of the mortgages (bn)	€10.9	€10.7	€10.4	€10.2
Weighted average indexed LTV	72.7%	71.9%	73.3%	70.7%
% of accounts in arrears (≥ 3 months)	0.02%	0.02%	0.05%	0.04%
Table 2 Bond Summary				
Value of bonds (bn)	€6.7	€7.7	€7.9	€7.9
Nominal overcollateralisation	78%	54%	46%	44%
Prudent market value of mortgages (bn)	€9.9	€9.7	€9.4	€9.3
Qualified substitution assets (bn)	€1.0	€1.2	€1.2	€1.2
Prudent market value of cover pool (bn)	€10.9	€10.8	€10.6	€10.5
Legislative overcollateralisation	62%	41%	33%	32%

- ▶ ACS cover pool is marked to market at intervals not exceeding 3 months using Central Statistics Office (CSO) Residential Property Prices Index
- ▶ Legislative overcollateralisation (contractual minimum of 5%) is calculated on a prudent market value basis (i.e. nominal value of property capped at 75% of the indexed property valuation)
- ▶ Graph illustrates the dynamic nature of legislative overcollateralisation. As property prices reduce, the difference between legislative and nominal overcollateralisation increases and vice versa
- ▶ As a result, at all times the value of the underlying assets in the cover pool (adjusted for moves in house prices) materially exceeds the point-in-time liabilities in the pool
- ▶ Therefore, at time of purchase, an investor in ACS always has significant protection against house price falls

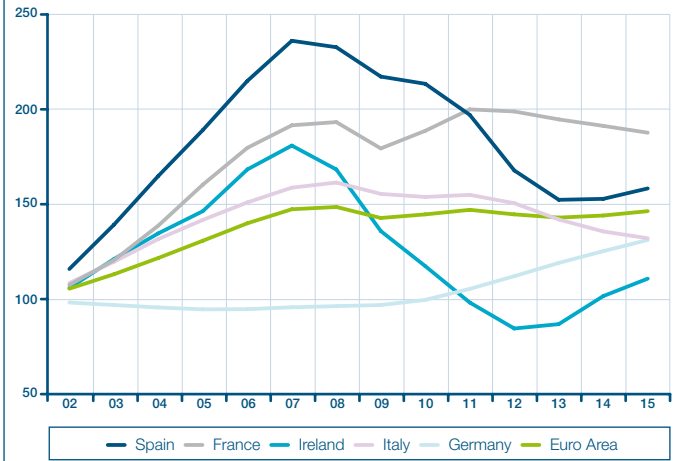


## Continued recovery in residential property prices



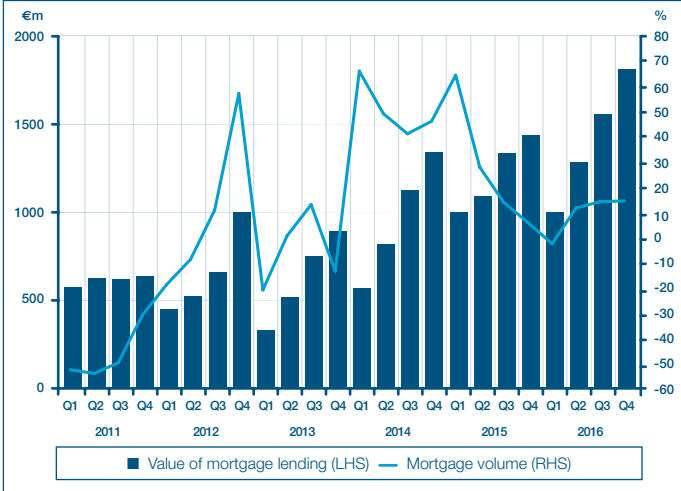
Graph shows: y-o-y change in residential property prices  
Source: CSO

## Ireland's significant house price correction versus other European countries



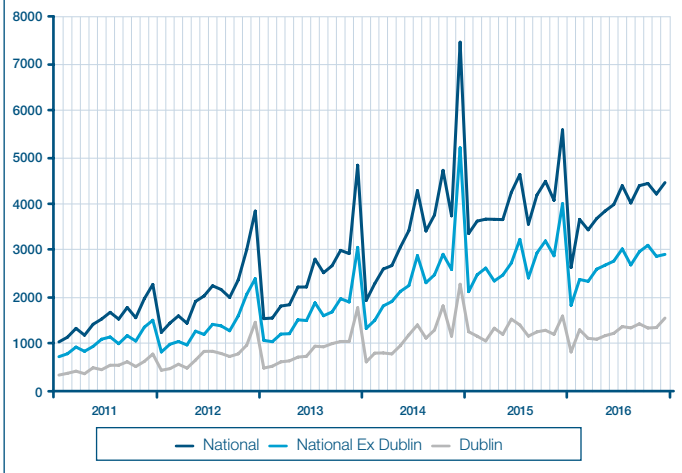
Graph shows: Change in nominal house prices in selected countries rebased to 100 at 1 Jan 2002  
Source: OECD Economic Outlook, November 2016

## Mortgage lending growing



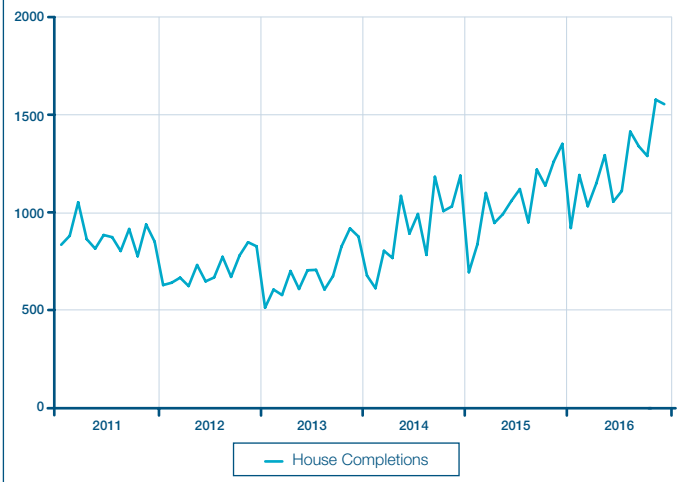
Graph shows: Value of mortgage lending per quarter in millions and annual change in volume of mortgages  
Source: Banking & Payments Federation Ireland

## Housing market activity



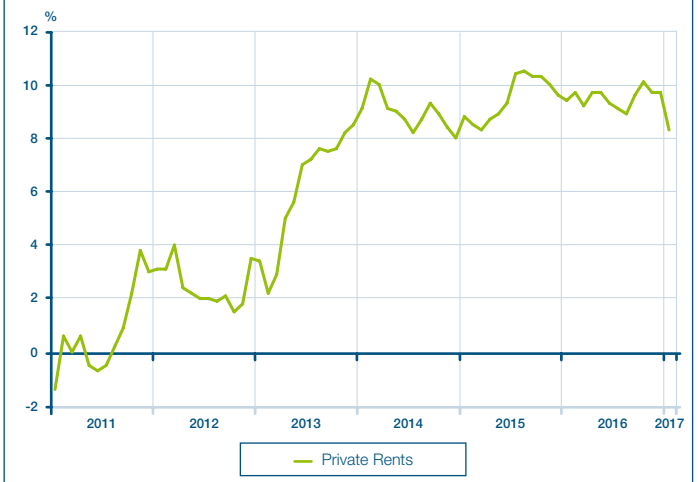
Graph shows: Number of transactions per month  
Source: Property Services Regulatory Authority

## House completions picking up



Graph shows: House completions by month  
Sources: Department of Housing, Planning, Community and Local Government

## Private rents increasing



Graph shows: y-o-y change in private rents  
Source: CSO

### Irish ACS Legislation

The issuance of Irish Covered Bonds is governed by the Asset Covered Securities Acts 2001 and 2007.

Investors benefit from:

1. **Robust collateral restrictions**
  - ▶ Strict Loan to Value (LTV) limit of 75% on individual loans
  - ▶ Indexed LTV levels for loans in the cover pool can exceed 75% threshold; however the balance of the loan above the 75%, while remaining in the cover pool, is disregarded for legislative or contractual overcollateralisation calculation purposes
2. **Strong overcollateralisation (OC)**
  - ▶ Minimum contractual OC of 5% and minimum legislative OC of 3% (both on a prudent market value basis)
  - ▶ Cover Assets Monitor (CAM) is responsible for monitoring the level of contractual and legislative OC
3. **Robust external monitoring**
  - ▶ CAM is responsible for monitoring the cover pool, the ACS issuer's compliance with specific provisions of the ACS Acts and reporting breaches to the Central Bank of Ireland
  - ▶ Central Bank of Ireland has approved the appointment of CAM
4. **Strict asset & liability management requirements**
  - ▶ **Duration matching:**  
The weighted average term to maturity of the cover pool assets cannot be less than that of the ACS cover pool liabilities
  - ▶ **Interest matching:**  
The amount of interest receivable on the cover pool assets over a 12 month period must not be less than the amount of interest payable on the ACS cover pool liabilities over the same period taking account of any derivatives
  - ▶ **Currency matching:**  
No currency risk permitted in the cover pool. Derivatives utilised to mitigate any currency risk created
- ▶ **Interest rate risk control:**  
The net present value changes on the balance sheet of an ACS issuer arising from i) 100bps upward shift, ii) 100bps downward shift and iii) 100bps twist, in the yield curve, must not exceed 10% of the ACS issuer's total own funds at any time
5. **Clarity in event of bankruptcy**
  - ▶ National Treasury Management Agency (NTMA) pre-defined manager of cover pool as a last resort
  - ▶ NTMA to source or alternatively act as manager of cover pool post insolvency
  - ▶ Upon appointment the manager will assume control of all the cover assets of the ACS issuer and its ACS business. The manager must manage the ACS business of the ACS issuer in the commercial interests of the ACS holders and the ACS hedge counterparties
6. **Preferential claims**
  - ▶ ACS holders are preferred creditors in relation to the cover assets (ranking after the CAM and the NTMA (or other manager) and equally with the ACS hedge counterparties)
  - ▶ Cover assets included in a cover pool do not form part of the assets of the ACS issuer for the purposes of insolvency until such time as the creditors benefiting from the insolvency protection under the ACS Acts have been satisfied
  - ▶ If the claims of the ACS holders (and other parties benefiting from insolvency protection including the ACS hedge counterparties) are not fully satisfied from the proceeds of the disposal of the cover assets, such parties are, with respect to the unsatisfied part of their claims, to be regarded as unsecured creditors of the ACS issuer in the insolvency process

### Non-legislative features

1. **Extension maturity feature (where applicable):**
  - ▶ If the ACS issuer fails to redeem a bond at par on the maturity date, the maturity of the principal amount outstanding of the bond will automatically be extended on a monthly basis for up to one year
  - ▶ This extension can only occur if there are insufficient funds in the pool to repay maturities as they fall due
  - ▶ Unlike RMBS, this is not an option that BOIMB can "choose" to exercise. Secondary spreads of ACS will have no direct impact on extension feature being exercised
- ▶ This feature is a rating agency requirement to mitigate any potential liquidity risk that may arise as bonds are due to mature
- ▶ In the event of liquidity problems, this feature avoids the immediate sale of assets and gives the ACS issuer time to source alternative funding
2. **Non-performing assets:**
  - ▶ As a matter of policy, BOIMB removes non-performing assets (payment due  $\geq$  3 months) from the pool on a quarterly basis

#### Disclaimer

This factsheet, together with any verbal briefings or discussions, comprises materials (the "Materials") provided by Bank of Ireland by way of general update to customers and prospective customers of Bank of Ireland Group (the "Purpose") and is not an invitation or inducement to engage in any investment activity. The Materials are only to be used for the Purpose. While reasonable care has been taken in the collation of the Materials, they are for information only. Bank of Ireland accepts no responsibility for reliance thereon. You should take independent appropriate advice in respect of any decisions made with respect to the Materials.

This document has been provided only for the use by the direct recipient of the document from Bank of Ireland and is not to be transmitted or distributed in whole or in part to any other person. Information speaks only as of its date and Bank of Ireland makes no undertaking to update any of the information contained in this document. No offer of any securities is made pursuant to this document. This document is not a prospectus for the purpose of Directive 2003/71/EC (as amended) and no reliance should be placed upon this document for the purposes of making any investment decision in respect of securities which may be issued by Bank of Ireland or any of its subsidiaries from time to time.

The Governor and Company of the Bank of Ireland is regulated by the Central Bank of Ireland. In the UK, The Governor and Company of the Bank of Ireland is authorised by the Central Bank of Ireland and the Prudential Regulation Authority and subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority. Details about the extent of our authorisation and regulation by the Prudential Regulation Authority and regulation by the Financial Conduct Authority are available from us on request.

The Governor and Company of the Bank of Ireland is incorporated in Ireland with limited liability. Registered Office - 40 Mespil Road, Dublin 4, Ireland. Registered Number - C-1.