

# Credit Presentation

31 December 2018



# Bank of Ireland

## Overview

# 2018 Highlights

2018 Credit Presentation

## Profitability

**€935m**

Underlying profit  
before tax

- NIM of 2.20%
- Net impairment gains of €42m
- NPEs reduced by 24% to €5.0bn; NPE ratio now at 6.3%

## Growth

**€1.3bn**

Net lending growth

- New lending €15.9bn, increase of 13% vs. 2017
- New Irish mortgages; Growth of 17%, stable market share of 27%
- Wealth & Insurance; 21% income growth vs. 2017

## Transformation

**3% / €48m**

Reduction in costs

- Taking the lead in building a great culture in the Bank
- Foundations of new Core Banking Platforms in place
- Business model initiatives to drive efficiencies progressing at pace

## Capital

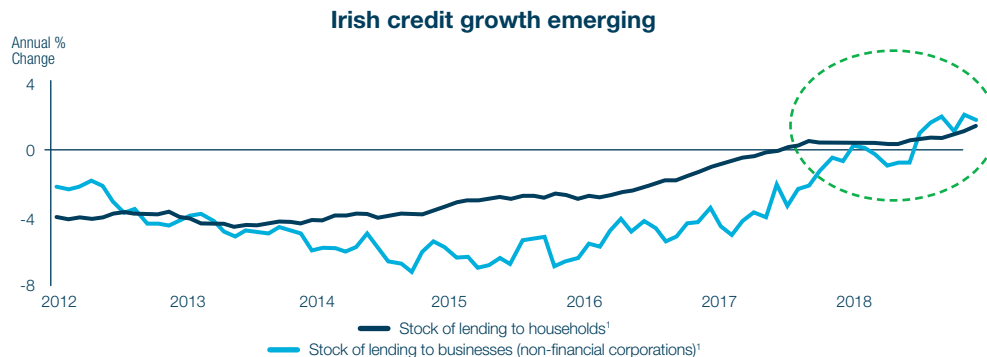
**13.4%**

CET1 ratio

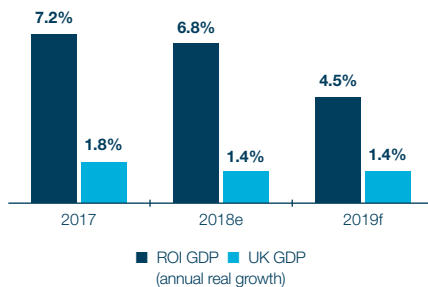
- Organic capital generation of 180bps
- Dividend increased to 16c per share (€173m) from 11.5c per share (€124m) in 2017

# Economic backdrop

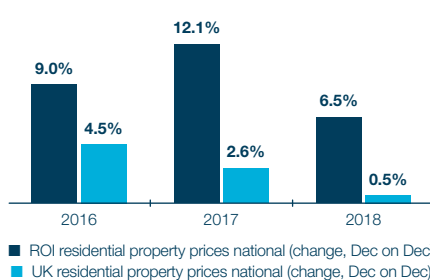
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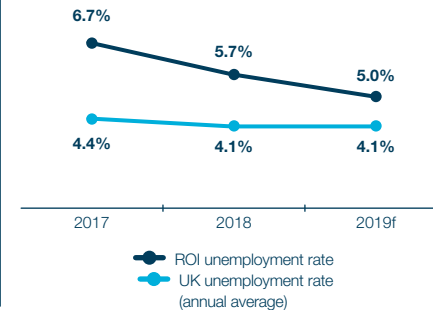
## Solid growth in Ireland; UK growth also positive notwithstanding Brexit uncertainties



## House price growth continuing in Ireland, softening in UK



## Unemployment rate trending down in Ireland, remains historically low in UK



Sources: Bank of Ireland Economic Research Unit, CSO, Office for National Statistics, Nationwide, Central Bank of Ireland  
Forecasts assume current UK-EU trading arrangements continue to apply

<sup>1</sup> Banks balance sheet basis, excludes loan sales and securitisations

# Focused on execution of our strategy to 2021

2018 Credit Presentation



## Our ambition is clear

- Investor Day – June 2018
- National Champion Bank in Ireland with selective UK and international diversification



## 2018 has been transformational

- Cultural change
- Technology transformation
- Strengthened leadership capabilities



## While there are challenges ahead...

- Brexit and the global economy
- Evolving regulatory requirements
- UK competitive environment



## ...we are committed to delivering our strategy

- Growing and transforming our business
- Improving returns in the UK
- Repositioned brand strategy

# Strategic Priorities: Transform the Bank

2018 Credit Presentation



Culture



Systems



Business model

## 2018 Progress

- **Defined the culture we want** – ambition, purpose and values being embedded across organisation
- Technology transformation continues to progress
  - **Foundations of new Core Banking Platforms in place**, single customer record for over 2m customers
  - **Testing of loan and deposit origination** on new Temenos platform
  - **Modernised payments infrastructure** in place with greater capacity, improved stability and higher speed processing
  - **New mobile banking app will launch in 2019**, first full scale customer deliverable using new Temenos technology
- **Creating a leaner, agile organisation**, over half of end state Organisational Design now complete, 8% reduction in Senior Management roles

## Target Outcomes

- Strengthened culture
- Cost base to reduce to c.€1.7bn in 2021
- Absolute cost level declining year-on-year to 2021
- Income growth

# Strategic Priorities: Serve Customers Brilliantly

2018 Credit Presentation



## Embedding voice of customer in our businesses



## Investing in digital and physical channels



## New brand strategy

### 2018 Progress

- **Listening to our customers and taking action**
  - 200+ front line staff driving improved service levels
  - 100+ branches converted to full service
- **Robotics** delivering equivalent to >300 FTEs, resulting in significant enhancement of customer journeys
- **Customers increasingly choosing digital channels**
  - 10m+ monthly engagements on our mobile app, up >25% on 2017
  - Direct and digital wealth sales increased to 35% (from 0% 2 years ago)
- **Repositioning of brand** underway, supported by multi-year customer strategies





### Target Outcomes

- Significant improvement in customer satisfaction and advocacy
- Straight through processing; digital journeys
- API foundation for Open Banking
- #1 for customer experience and brand in Ireland



# Strategic Priorities: Grow Sustainable Profits

2018 Credit Presentation

	2018 Progress	2021 Target
<b>Improved profitability</b> 	Headline RoTE of 8.5% Adjusted RoTE of 7.2% <sup>1</sup>	RoTE in excess of 10%
<b>Efficient business</b> 	Cost reduction of 3% / €48m vs. 2017	Cost base of c.€1.7bn Costs reduce every year: 2018-2021 Cost income ratio of c.50%
<b>Robust capital position</b> 	Fully loaded CET1 ratio of 13.4%	CET1 ratio in excess of 13%
<b>Sustainable dividends</b> 	Dividend increased to 16c per share (€173m)	Increase prudently and progressively; over time will build towards a payout ratio of around 50% of sustainable earnings

<sup>1</sup> See Slide 52 for calculation

# Operating Performance

# Underlying profit before tax of €935m

2018 Credit Presentation

	FY 2017 (€m)	FY 2018 (€m)
Total income	3,049	2,805
Operating expenses (before levies and regulatory charges)	(1,900)	(1,852)
Levies and Regulatory charges	(99)	(101)
Net Impairment (losses) / gains	(15)	42
Share of associates / JVs	43	41
<b>Underlying profit before tax</b>	<b>1,078</b>	<b>935</b>
Non-core items	(226)	(100)
<b>Profit before tax</b>	<b>852</b>	<b>835</b>
Net interest margin (NIM)	2.29%	2.20%
Adjusted RoTE <sup>1</sup>	6.9%	7.2%
	Dec 17	Dec 18
Customer loans (net)	€76.1bn	€77.0bn
Customer deposits	€75.9bn	€78.9bn
Non-performing exposures (NPEs)	€6.5bn	€5.0bn
CET1 Ratios:		
Fully Loaded	13.8%	13.4%
Regulatory	15.8%	15.0%
Total Capital Ratio: Regulatory	20.2%	18.8%
Liquidity Metrics:		
LCR	136%	136%
NSFR	127%	130%
LDR	100%	97%
Leverage Ratios:		
Fully Loaded	6.2%	6.3%
Regulatory	7.0%	7.0%

<sup>1</sup> See Slide 52 for calculation

## Income Statement

- Net interest income of €2,146m
- Other income of €659m includes sustainable and diversified business income of €672m
- Operating expenses (before levies and regulatory charges) of €1,852m; reduction of €48m (3%) vs. 2017
- Total transformation investment in 2018 of €306m
- Net impairment gains of €42m, reflecting positive economic environment in Ireland and effectiveness of our NPE resolution strategies
- Non-core charge of €100m primarily related to costs associated with the Group's restructuring programme

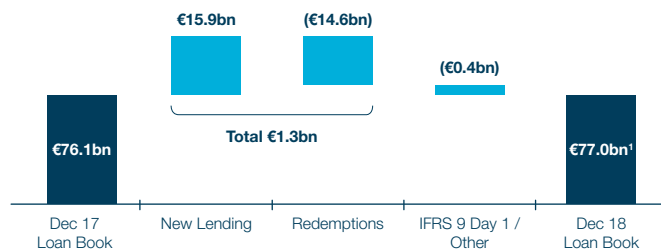
## Balance Sheet

- Group loan book of €77.0bn at Dec 2018 reflecting;
  - New lending of €15.9bn; an increase of 13% vs. 2017
  - Redemptions of €14.6bn; 3% reduction vs. 2017
- Customer deposits of €78.9bn predominantly sourced through retail distribution channels
- NPEs of €5.0bn, 24% reduction during 2018
- Strong organic capital generation continues; capital and liquidity available to support growth
- HoldCo senior investment grade ratings of Baa3, BBB- and BBB from Moody's, S&P and Fitch. Positive Outlook for Moody's and S&P (see Slide 20 for full ratings)

# Net lending growth of €1.3bn

2018 Credit Presentation

## Group loan book movement



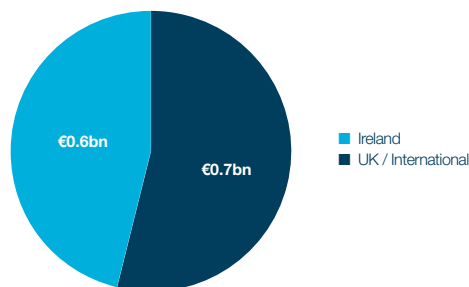
## Net lending growth of €1.3bn

- New lending of €15.9bn; an increase of 13% vs. 2017
- Redemptions of €14.6bn; 3% reduction vs. 2017
- Expect further net lending growth in 2019, while maintaining strong commercial pricing and risk discipline

## Ireland: €0.6bn net lending growth

- Mortgages: loan book flat in 2018, albeit new lending of €2.3bn, up 17% on 2017, with stable market share of 27%
- Consumer: loan book growth of €0.1bn
- SME: loan book decrease of €0.2bn, albeit new lending of €2.9bn
- Corporate Banking: loan book growth of €0.8bn

## Net lending growth €1.3bn



## UK / International: €0.7bn net lending growth

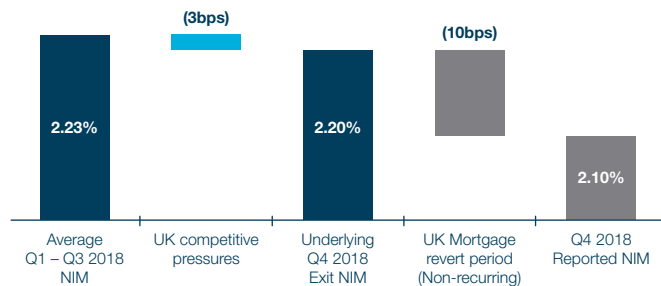
- Mortgages: loan book decrease of €0.7bn; new lending of €3.7bn, up 3% on 2017
- Consumer: loan book growth of €0.7bn; new lending of €1.8bn (2017: €1.3bn), reflecting strong performance of Northridge car finance and consumer lending
- SME / Other: loan book decrease of €0.5bn; largely due to wind down of legacy lending portfolios
- Corporate Banking: loan book growth of €0.9bn; disciplined approach with strong Brexit focus
- Acquisition Finance: loan book growth of €0.3bn

<sup>1</sup> Includes UK Credit Card portfolio €0.6bn classified as held for sale as at Dec 2018

# NIM – Strong commercial discipline on pricing

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## 2018 – Q4 NIM Movement



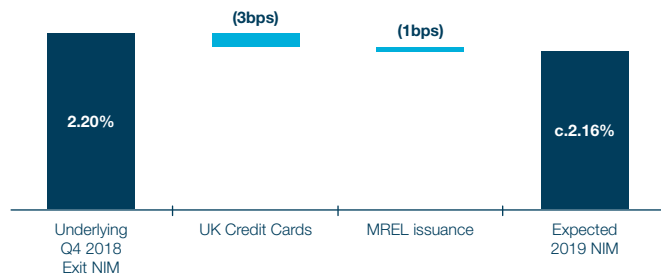
## NIM – 2.20% in 2018

- Maintaining strong commercial discipline on pricing e.g. recent price adjustments on Irish mortgages
- Competitive pressures in UK mortgage market driving lower front book pricing and shorter customer revert periods
- Adjustment to UK mortgage revert period (10bps) in Q4 2018 reflects faster refinancing activity

## 2019 Outlook

- Expect 2019 NIM to be c.2.16%:
  - Strategic repositioning of the UK cards portfolio adversely impacts NIM by c.3bps
  - MREL issuance (c.1bps)
  - UK competitive pressures expected to be offset by positive impact from new lending margins and strong commercial discipline on pricing

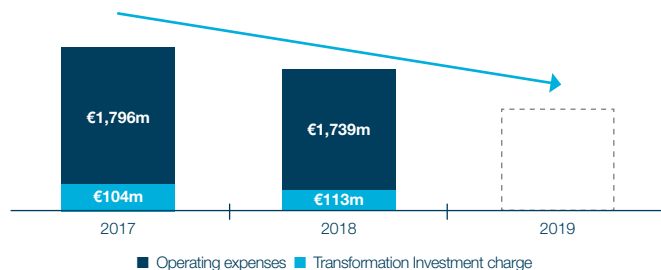
## Outlook for 2019 NIM



## Costs have reduced by 3% / €48m

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### Operating expenses to reduce further



	FY 2017 (€m)	FY 2018 (€m)
Total staff costs	900	868
– Staff costs	752	721
– Pension costs	148	147
Other costs	727	659
Depreciation	169	212
<b>Operating Expenses</b>	<b>1,796</b>	<b>1,739</b>
Transformation Investment charge <sup>1</sup>	104	113
<b>Operating Expenses (before levies and regulatory charges)</b>	<b>1,900</b>	<b>1,852</b>
Levies and Regulatory charges	99	101
<b>Total Operating Expenses</b>	<b>1,999</b>	<b>1,953</b>
Average staff numbers	11,196	10,595
Cost-income ratio <sup>2</sup>	65%	65%

<sup>1</sup> Transformation Investment charge was previously disclosed as 'Core Banking Platform Investment charge'. It has been updated to include the broader scope of Transformation covering Culture, Systems and Business Model for 2017

<sup>2</sup> See Slide 51 for calculation

### Transformation of cost base

- Operating expenses (before levies and regulatory charges) of €1,852m reduced by €48m (3%) vs. 2017
- Expect operating expenses, including transformation investment charge, to reduce every year to €1.7bn in 2021

### Operating expenses: €1,739m

- Total staff costs decreased by €32m vs. 2017 primarily reflecting lower average staff numbers partly offset by impact of wage inflation of c.2.5% under the Group Career and Reward framework; wage inflation of c.2.6% agreed for 2019
- Other costs have decreased by €68m vs. 2017 reflecting strategic sourcing and other efficiencies from business model initiatives across the businesses
- Expected increase in depreciation charge of €43m reflects investment in technology

### Transformation Investment charge: €113m

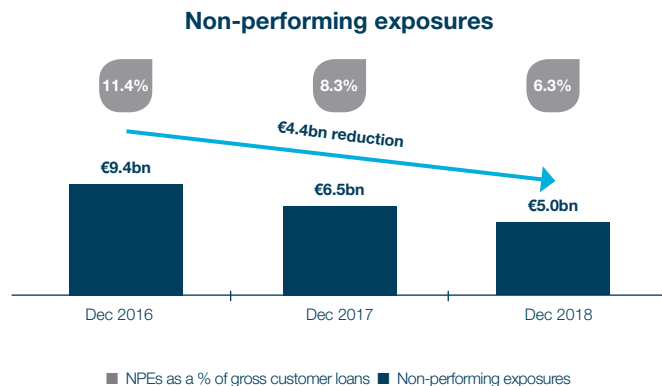
- Total transformation investment in 2018 of €306m:
  - €113m charged as Transformation Investment to the income statement (37%)
  - €100m capitalised as intangible asset (33%)
  - €93m charged as non-core restructuring costs (30%)

### Levies and Regulatory charges: €101m

- Expect levies and regulatory charges to total €115m – €120m for 2019

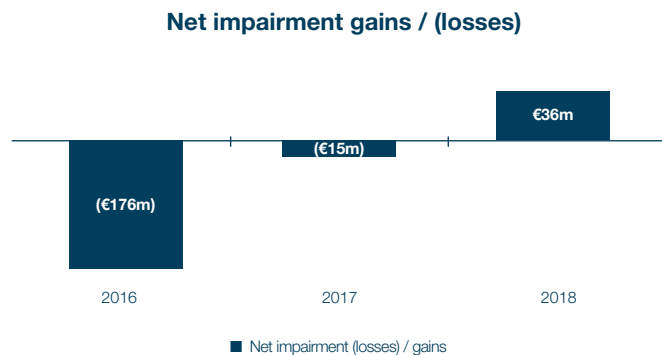
## 24% improvement in NPE levels

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### Asset quality continues to improve

- Non-performing exposures (NPEs) of €5.0bn, a reduction of €1.5bn (24%) during 2018
- NPE ratio reduced by 200bps to 6.3%
- Reductions reflect successful resolution strategies and the positive economic environment. Expect further reductions in 2019 and beyond
- SREP guidance received on coverage levels for NPEs – coverage levels will increase on unsecured NPEs (older than 2 years) and secured NPEs (older than 7 years) from end of 2020
- NPE reduction strategies will be kept under review to respond to the associated and evolving regulatory framework



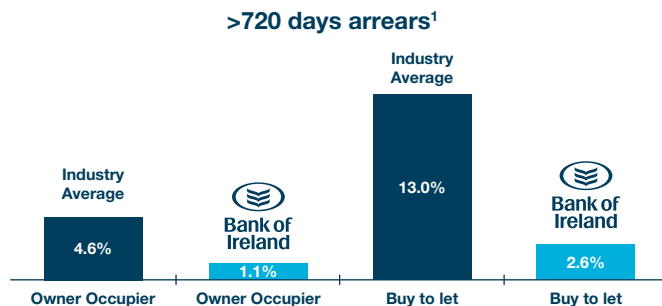
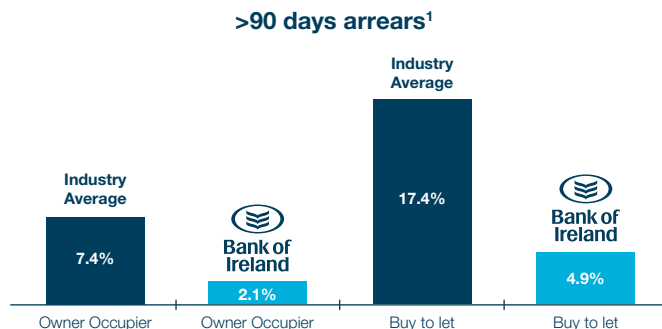
### Net impairment gains of €36m in 2018

- Net impairment gains on loans and advances to customers of €36m for 2018, primarily reflecting:
  - Strong performance of the Group's loan portfolios
  - Positive outcomes from ongoing resolution of NPEs
  - Continued positive economic environment and an outlook of continued economic growth in key markets
- Absent a change in the economic environment or outlook, expect net impairment charge to be in the range of up to 20bps – 30bps p.a. during 2019-2021

# ROI Mortgages

2018 Credit Presentation

Continued proactive arrears management



## >90 days arrears

- Bank of Ireland is significantly below the industry average for both Owner Occupier (28% of industry average) and Buy to Let (28% of industry average)

## >720 days arrears

- Bank of Ireland is significantly below the industry average for both Owner Occupier (24% of industry average) and Buy to Let (20% of industry average)

## NPE resolution strategies

- Continued progress on reduction in ROI mortgage NPEs, c.€0.4bn reduction in 2018
- Portfolio of Buy to Let mortgage NPEs prioritised for alternative resolution strategies e.g. potential securitisation and/or sale
  - Loans of c.€0.6bn – €0.8bn;
  - Net Interest Income of c.€10m – €14m
  - CET1 Capital Intensity of c.30bps – 50bps

<sup>1</sup> As at September 2018, based on number of accounts, industry average excluding BOI



## Capital and liquidity available to support growth

2018 Credit Presentation

	Dec 2017 (€bn)	Dec 2018 (€bn)
Customer loans	76	77
Liquid assets	24	25
Wealth and Insurance assets	17	17
Other assets	6	5
<b>Total assets</b>	<b>123</b>	<b>124</b>
Customer deposits	76	79
Wholesale funding	13	11
Wealth and Insurance liabilities	17	17
Other liabilities	7	7
Shareholders' equity	9	9
Additional Tier 1 security & other	1	1
<b>Total liabilities</b>	<b>123</b>	<b>124</b>
TNAV per share	€7.52	€7.85
Closing EUR / GBP FX rates	0.89	0.89

### Strong liquidity ratios

- Liquidity Coverage Ratio: 136%
- Net Stable Funding Ratio: 130%
- Loan to Deposit Ratio: 97%

### Robust Leverage Ratio

- Fully Loaded Leverage Ratio: 6.3%
- Regulatory Leverage Ratio: 7.0%

### Customer deposits: €78.9bn

- Customer deposits predominantly sourced through retail distribution channels

### Wholesale funding: €11.4bn

- Monetary Authority borrowings of €2.7bn<sup>1</sup> have reduced by €2.3bn since Dec 2017 primarily due to repayment of funding drawn under the ECB's TLTRO
- MREL target of €13.3bn (representing 26.4% of RWA at Dec 2016) to be met by 1 Jan 2021:
  - MREL ratio of 23.1% at Dec 2018 (based on RWA at Dec 2018)
  - Modest MREL eligible issuance c.€1bn-€2bn p.a. anticipated

<sup>1</sup> Monetary Authority borrowings of €2.7bn at Dec 18 includes: €1.0bn of ECB TLTRO funding and €1.7bn of BOE funding through TFS (c.€1.5bn) and ILTR (c.€0.2bn)

# Outlook

2018 Credit Presentation

## Growth



- **Net lending growth** while maintaining commercial discipline on risk and pricing
- Continued **growth in Wealth and Insurance** business
- **NIM** in 2019 expected to be c.2.16%

## Efficiency



- **Costs** to reduce further in 2019
- Expect further **reduction in NPEs**
- Expect net impairment charge to be in the **range of up to 20bps – 30bps p.a. during 2019-2021<sup>1</sup>**

## Returns



- Continue to **generate strong organic capital**
- **Dividend** to increase prudently and progressively; over time will build towards a payout ratio of around 50% of sustainable earnings

**RoTE target: in excess of 10% by 2021**

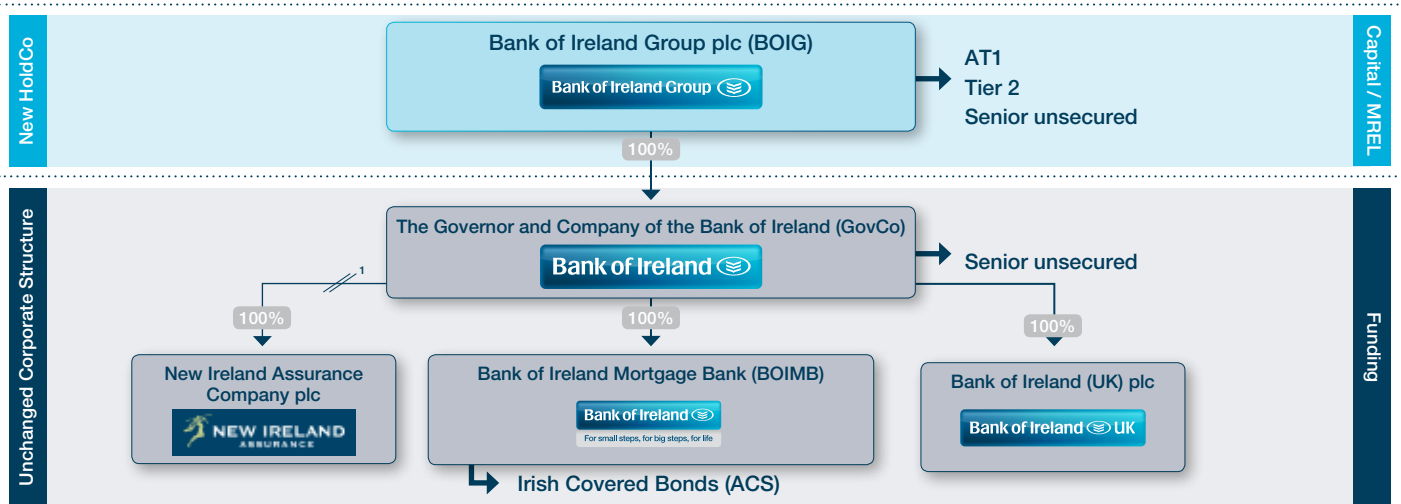
<sup>1</sup> Absent a change in the economic environment or outlook

# Capital & MREL

# Corporate Structure

2018 Credit Presentation

BOIG established in 2017



- Preferred resolution strategy for the Group consists of a Single Point of Entry (SPE) bail-in strategy through the Group holding company (BOIG)
  - Transparent and well-defined resolution strategy in comparison to other jurisdictions
  - BOIG introduced on top of the existing group structure supporting an SPE preferred resolution strategy
  - No change to any of the Group's existing operating companies
- Bail-in at BOIG is the primary resolution tool. MREL requirements are expected to be met through junior and senior issuance from BOIG
- Losses are passed to BOIG by the write-down of intragroup assets. BOIG investors bear losses in accordance with the resolution<sup>2</sup> hierarchy. Resolution authorities required to apply the "No Creditor worse off" principle in application of the bail-in tool
- Funding requirements may also continue to be met, as required, through the issue of Irish Covered Bonds (ACS) by Bank of Ireland Mortgage Bank and senior unsecured issuance by GovCo

<sup>1</sup> 100% shareholding via intermediate holding company

<sup>2</sup> Per Regulations 87 and 96 of the European Union (Bank Recovery and Resolution) Regulations 2015

# BOI Credit Ratings

2018 Credit Presentation

Investment grade ratings for BOIG and GovCo

**STANDARD  
& POOR'S**

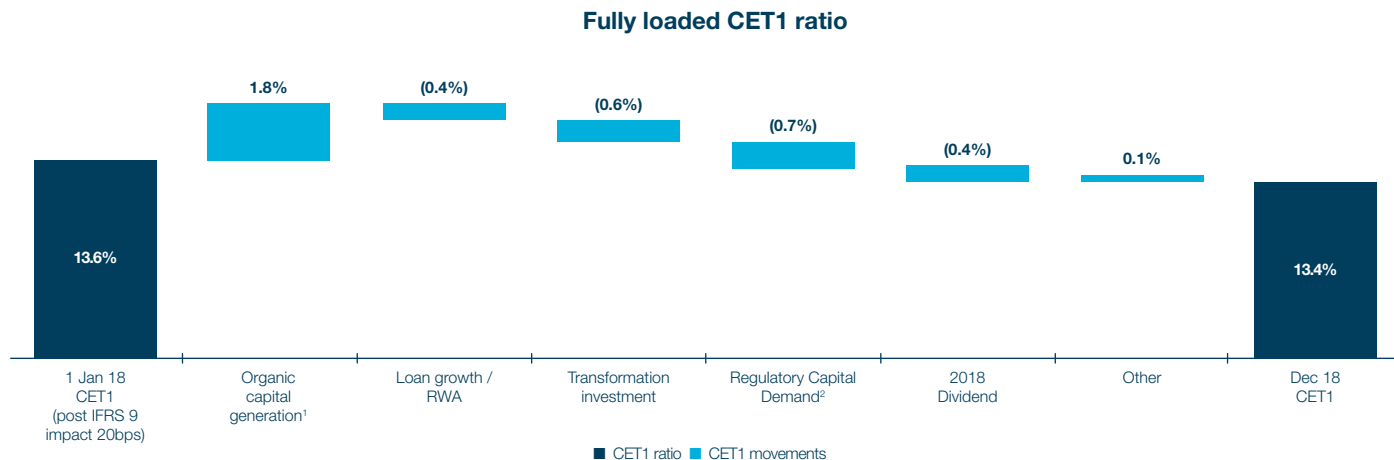
**MOODY'S**

**FitchRatings**

	STANDARD & POOR'S	MOODY'S	FitchRatings
<b>BOIG Issuer Ratings</b>	BBB- (Positive)	Baa3 (Positive)	BBB (Stable)
<b>GovCo Issuer Ratings</b>	BBB+ (Positive)	A3 (Positive)	BBB (Positive)
<b>Progress on BOI Credit Ratings</b>	<p><b>Oct 2018:</b> GovCo rating upgraded one notch from BBB to BBB+ and BOIG rating BBB- affirmed (outlook remains Positive)</p> <p><b>Dec 2018:</b> Affirmed the BBB- and BBB+ ratings on BOIG and GovCo respectively (outlook remains Positive)</p>	<p><b>Jul 2017:</b> Assigned Baa3 (Positive) rating to newly established holding company</p> <p><b>Dec 2018:</b> GovCo rating upgraded one notch from Baa1 to A3 and BOIG rating Baa3 affirmed (outlook remains Positive)</p>	<p><b>Nov 2017:</b> 1 notch upgrade for both BOIG and GovCo issuer ratings to BBB, Stable outlook</p> <p><b>Dec 2018:</b> Affirmed the BBB ratings on BOIG and GovCo; GovCo outlook revised to Positive from Stable (BOIG outlook remains Stable)</p>
<b>Key Rating Drivers</b> Upside could develop from:	<ul style="list-style-type: none"> <li>Further reductions in non-performing loans</li> <li>Additional loss-absorbing capacity (ALAC) uplift</li> </ul>	<ul style="list-style-type: none"> <li>Improvements in capitalisation and risk absorption capacity; while maintaining stable profitability, funding and liquidity metrics</li> <li>Further reductions in non-performing loans</li> </ul>	<ul style="list-style-type: none"> <li>Further reductions in non-performing loans; while reducing capital encumbrance</li> <li>Successful execution of strategy to improve cost efficient and profitable</li> </ul>
<b>Irish Covered Bonds (ACS)</b>	<p><b>MOODY'S</b></p> <p>Aaa</p>		

## Strong capital generation and position

2018 Credit Presentation



### Capital position

- Strong capital position – fully loaded CET1 ratio of 13.4% at Dec 2018
- Continued organic capital generation – 180bps of capital generated in 2018
- No change to capital guidance; the Group expects to maintain a CET1 ratio in excess of 13% on a regulatory basis and on a fully loaded basis by the end of O-SII phase in period<sup>3</sup>

<sup>1</sup> Organic capital generation primarily consists of attributable profit and movements in regulatory deductions

<sup>2</sup> Regulatory capital demand primarily reflects the impact of TRIM on Irish mortgages

<sup>3</sup> The Other Systemically Important Institution (O-SII) buffer will be introduced at 0.5% in July 2019, increasing to 1.0% in July 2020 and 1.5% in July 2021

# Strategic investment and rigorous allocation of capital

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Organic capital generation  
(180bps)

## Investment / allocation of capital in 2018

1

### Growth in loan book 200-250bps

- CET1 of c.200-250bps to accommodate c.20% loan book growth over 4 years (2018 – 2021)
- Net lending growth of €1.3bn in 2018 (c.40bps)

2

### Transformation 50-60bps p.a.

- Transformation Programme: investment of 50-60bps p.a.
- Transformation investment of €306m (c.60bps) in 2018
- On track to reduce costs every year to €1.7bn in 2021

3

### Regulatory capital demand

- IFRS 16 impact of 20 bps on 1 Jan 2019
- Capital resilience demonstrated in 2018 EBA Stress Test
- Evolving regulatory framework including EBA and ECB guidelines (definition of default, IRB models, NPE requirements, etc.) could consume c.80bps of CET1 by end 2020
- Will pursue opportunities to unlock capital in balance sheet as appropriate

4

### Dividend / distributions

- Dividend increased to 16c per share (€173m / 40bps) from 11.5c per share (€124m / 25bps) in 2017
- No change to dividend policy or guidance
- Other means of capital distribution will be considered to the extent the Group has excess capital

## Robust capital ratios

2018 Credit Presentation

	Dec 2017	Dec 2018
<b>CET1 ratios:</b>		
Fully Loaded	13.8%	13.4%
Regulatory	15.8%	15.0%
<b>Tier 1 ratios:</b>		
Fully Loaded	14.9%	14.4%
Regulatory	17.0%	16.0%
<b>Total Capital ratios:</b>		
Fully Loaded	17.9%	17.2%
Regulatory	20.2%	18.8%
<b>MREL:</b>		
MREL ratio		23.1%
<b>Leverage ratios:</b>		
Fully Loaded	6.2%	6.3%
Regulatory	7.0%	7.0%
<b>Risk Weighted Assets:</b>		
Fully Loaded	€44.8bn	€47.6bn
Regulatory	€45.0bn	€47.8bn

### Tier 1 & Total Capital

- Tier 1 and Total Capital ratios reflect growth in the CET1 ratio in the period and movement in the haircuts associated with subordinated debt issued by BOIG subsidiaries<sup>1</sup>
- Total Capital ratios also include the partial amortisation of Tier 2 instruments

### MREL

- MREL target of €13.3bn (representing 26.4% of RWA at Dec 2016) to be met by 1 Jan 2021:
  - MREL issuance of c.€1.2bn completed in 2018
  - Improved MREL ratio of 23.1% at Dec 2018 up from 21.6% at Jun 2018 (based on RWA at Dec 2018 and Jun 2018 respectively)
  - Modest MREL eligible issuance expected of c.€1bn - €2bn p.a.

### Risk Weighted Assets

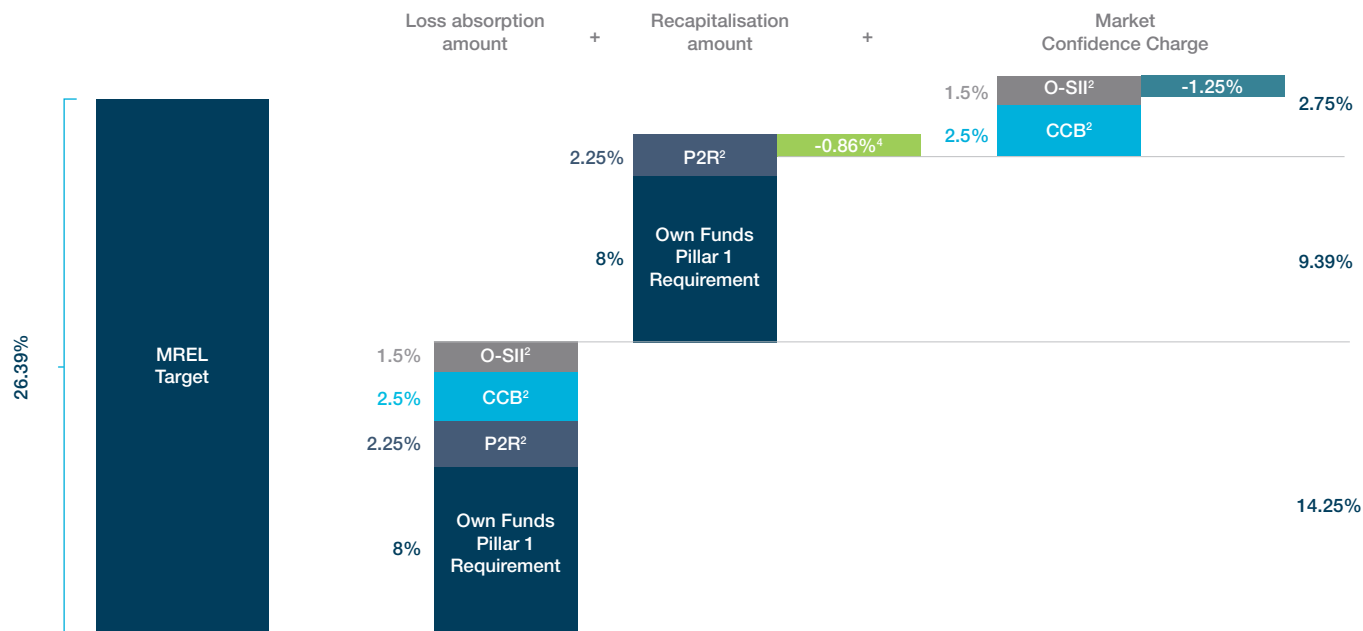
- RWA has increased from €45.0bn at Dec 2017 to €47.8bn at Dec 2018 primarily driven by loan book growth, RWA mix and the impact of ROI Mortgage TRIM exercise

<sup>1</sup> Further to EBA Q&A 2017\_3329 the calculation of Tier 1 and Total Capital ratios is stated after a prudent application of the requirements of Articles 85/ 87 of CRR. The application of the requirements of Articles 85 /87 by SSM banks is under review by the ECB



# MREL Requirement<sup>1</sup>

2018 Credit Presentation



- The Group has been advised of the decision by the SRB and the Bank of England of its binding MREL requirement to be met by 1 January 2021.
- This has been set at a level of 12.86% of total liabilities and own funds as at December 2016 (equivalent to 26.39% of risk weighted assets)
- Based on current MREL ratio<sup>3</sup>, modest new MREL issuance expected to meet this requirement

<sup>1</sup> Minimum Requirement for Own Funds and Eligible Liabilities as at 31 December 2018

<sup>2</sup> Other Systemically Important Institution (O-SII), Capital Conservation Buffer (CCB) and Pillar 2 Requirement (P2R)

<sup>3</sup> MREL ratio of 23.1% as at 31 December 2018 (based on RWA at December 2018)

<sup>4</sup> Bank Specific Adjustment of 0.86%

# Regulatory Capital Requirements

2018 Credit Presentation

Pro forma CET1 Regulatory Capital Requirements	Set by	Range	2017	2018	2019	2020	2021
Pillar 1 – CET1	CRR	4.50%	4.50%	4.50%	<b>4.50%</b>	4.50%	4.50%
Pillar 2 Requirement (P2R)	SSM	1% – 2.25% <sup>2</sup>	2.25%	2.25%	<b>2.25%</b>	2.25%	2.25%
Capital Conservation Buffer (CCB)	CRD	2.50%	1.25%	1.88%	<b>2.50%</b>	2.50%	2.50%
<i>Countercyclical buffer (CCyB)<sup>1</sup></i>							
<i>Ireland (c.60% of RWA) (from 5 July 2019)</i>	<i>CBI</i>	<i>0% – 2.50%</i>	<i>–</i>	<i>–</i>	<i>0.60%</i>	<i>0.60%</i>	<i>0.60%</i>
<i>UK (c.30% of RWA)</i>	<i>FPC (UK)</i>	<i>0% – 2.50%</i>	<i>–</i>	<i>0.3%</i>	<i>0.30%</i>	<i>0.30%</i>	<i>0.30%</i>
<i>US and other (c.10% of RWA)</i>	<i>Fed/Various</i>	<i>0% – 2.50%</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–</i>
O-SII buffer (from 1 July 2019)	CBI	0% – 2.00%	–	–	<b>0.50%</b>	1.00%	1.50%
Systemic Risk Buffer – Ireland	Minister for Finance	0% – 3.00%	N/A	N/A	<b>N/A</b>	N/A	N/A
<b>Pro forma Minimum CET1 Regulatory Requirements</b>			<b>8.00%</b>	<b>8.93%</b>	<b>10.65%</b>	<b>11.15%</b>	<b>11.65%</b>
<b>Pillar 2 Guidance (P2G)</b>			<b>Not disclosed in line with regulatory preference</b>				

## Regulatory Capital Requirements

- A minimum CET1 ratio of 9.55% on a regulatory basis from 1 Jan 2019, increasing to 10.65% from July 2019. This includes
  - A Pillar 1 requirement of 4.5%, a Pillar 2 requirement (P2R) of 2.25%, a capital conservation buffer of 2.50%, a UK CCyB of 0.3%, an Other Systemically Important (O-SII) Buffer of 0.5% (from 1 July 2019) and an ROI CCyB of 0.6% (from 5 July 2019)
- The FPC (UK) has set the UK CCyB at 1% from Nov 2018
- The CBI (ROI) announced its intention to increase the CCyB in Ireland from 0% to 1.0%, effective from 5 Jul 2019
- The Systemic Risk Buffer under Article 133 CRD IV is currently not implemented in Irish law but may be introduced at the discretion of the Minister for Finance
- Pillar 2 Guidance (P2G) is not disclosed in accordance with regulatory preference, increase of 62bps in Capital Conservation Buffer (CCB) in 2019 was offset by a like for like reduction in P2G. In addition the P2G for 2019 reduced following the outcome of the 2018 EBA Stress Test

<sup>1</sup> CCyB could be set in excess of 2.50% in exceptional circumstances. A change in the CCyB could also be implemented in less than 12 months in exceptional circumstances

<sup>2</sup> Expected range for Pillar 2 Requirement

## Risk Weighted Assets (RWAs)

2018 Credit Presentation

### Customer lending average credit risk weights – Dec 2018<sup>1/2</sup>

(Based on regulatory exposure class)

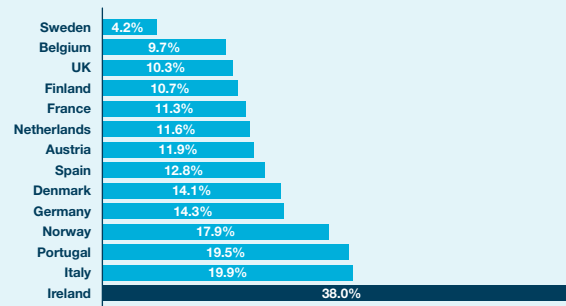
	EAD <sup>3</sup> (€bn)	RWA (€bn)	Avg. Risk Weight
ROI Mortgages	24.2	8.3	34%
UK Mortgages	21.5	4.8	22%
SME	15.8	11.9	75%
Corporate	10.4	9.2	88%
Other Retail	5.8	4.0	68%
<b>Customer lending credit risk</b>	<b>77.8</b>	<b>38.1</b>	<b>49%</b>

- IRB approach accounts for:
  - 70% of credit exposure at default (Dec 2017: 70%)
  - 74% of credit RWA (Dec 2017: 73%)
- RWA has increased from €45.0bn at Dec 2017 to €47.8bn at Dec 2018 primarily driven by changes in book size and mix and the impact of TRIM
- The Group's ROI mortgages average risk weight increased from 29% at June 2018 to 34% at Dec 2018, driven primarily by the impact of the TRIM exercise

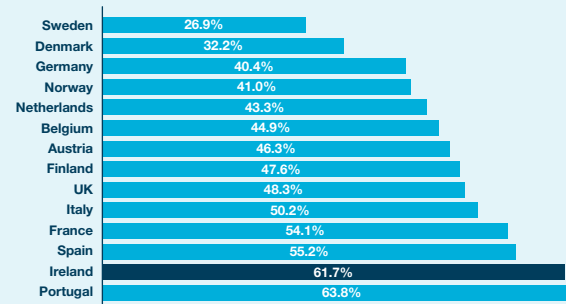
### EBA Transparency Exercise 2018

Country by Country Average IRB risk weights

#### Residential Mortgages – June 2018



#### Corporates – June 2018



<sup>1</sup> EAD and RWA include both IRB and Standardised approaches and comprises both non-defaulted and defaulted loans

<sup>2</sup> Securitised exposures are excluded from the table (i.e. excludes exposures included in CRT executed in Nov 2017 and Dec 2016)

<sup>3</sup> Exposure at default (EAD) is a regulatory estimate of credit risk exposure consisting of both on balance exposures and off balance sheet commitments

## Capital / MREL

2018 Credit Presentation

### Summary Highlights

#### Ratings

- BOIG (HoldCo) investment grade ratings with positive outlook from Moody's and S&P
- Upgrades to the Bank's senior ratings by Moody's and S&P reflect the issuance of bail-in-able debt by BOIG leading to greater protection for the Bank's senior creditors

#### Economy

- Continued economic growth in core markets; supporting strong organic capital generation of 180bps in 2018

#### Regulatory Ratios

- The Group expects to maintain a CET1 ratio in excess of 13% on a regulatory basis and on a fully loaded basis by the end of the O-SII phase-in period<sup>1</sup>
- Robust regulatory ratios provide significant buffer to credit investors (c.500bps buffer to MDA)

#### MREL

- MREL issuance of c.€1.2bn completed in 2018
- Based on current MREL ratio and SRB MREL Policy, modest new MREL issuance expected c.€1bn-€2bn p.a.

<sup>1</sup> The Other Systemically Important Institution (O-SII) buffer will be introduced at 0.5% in July 2019, increasing to 1.0% in July 2020 and 1.5% in July 2021

# Appendix



# Appendix

2018 Credit Presentation

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# BOI Overview: Ireland

2018 Credit Presentation

Ireland's leading retail and commercial bank

## Retail Ireland

### Consumer



### Business



### Wealth



#### Unique customer franchise



- **1.7m** active consumer customers
- **225k** SME customers and **500k** Wealth and Insurance customers

#### Supporting local communities & enterprises



- **267 branches**, >2,800 front line staff
- **Reinventing branches** with workbenches and event spaces driving local community, enterprise and business development activity
- **Over 550** Bank of Ireland led events including National Enterprise week and National Enterprise Town Awards

#### Growing preference for digital channels



- **79% digitally active** current account base
- **>250%** increase in mobile users 2012 – 2018
- **Average of > 16m** interactions in our digital channels every month

## Corporate Ireland

### Corporate Banking Ireland

- **#1 Corporate Bank** in Ireland
- **#1 Bank** for FDI into Ireland
- **Country-wide** coverage via regional hubs
- Banking relationship with **60%** of Ireland's top companies
- **>500** corporate customers: average 5 products held per customer

### Property Finance

- **Disciplined approach** to risk management
- **60** Specialist staff; **>175** customers
- **Leading funder** of investment property and construction

### Markets & Treasury

- Leading **treasury service provider**
- Track record of **innovation**



# BOI Overview: UK / International

2018 Credit Presentation

Attractive UK and International businesses provide diversification and further opportunities for growth

## Retail UK

### Partnerships



- **Over 40 years** in Great Britain
- **11.5k branches** through Post Office partnership
- **#1 travel money** business in the UK (FRES)
- Access to **3.3m AA members**

### Northern Ireland



- **Full service** retail and commercial bank
- A distribution network of **28 branches**, including six business centres
- Over **190 years** since first branch opened

### Niche Businesses



- Motor asset finance and motor lease finance business
- **Proven track record** of strong growth and disciplined risk appetite
- **Leasing company** of the year 2018 (up to 20,000 vehicles)
- **£1.8bn loan book** with >175k customers

## Corporate UK / International

### Corporate Banking UK

- **Sector focused** business in UK with **5** specialist industry sectors, industrials & manufacturing, technology, consumer & hospitality, media and business services
- **>70** Customers
- **Scalable platform** with highly disciplined approach and growth

### Acquisition Finance

- Mid market US / European Acquisition Finance business; **strong 20 year+ record**
- **Well recognised lead arranger**
- **5** international offices
- **>200** customers, c.85% business from repeat sponsors

# BOI Overview

2018 Credit Presentation

## Income Statement

	FY 2014 (€m)	FY 2015 (€m)	FY 2016 <sup>3</sup> (€m)	FY 2017 <sup>4</sup> (€m)	FY 2018 (€m)
Total income	2,974	3,272	3,126	3,049	<b>2,805</b>
– Net interest income	2,358	2,454	2,298	2,248	2,146
– Other income (net) before additional gains	448	591	677	727	650
– Additional gains	168	227	151	74	9
Operating expenses	(1,601)	(1,746)	(1,741)	(1,796)	(1,739)
Transformation Investment charge <sup>1</sup>	-	-	(41)	(104)	(113)
Levies and Regulatory charges	(72)	(75)	(109)	(99)	(101)
<b>Operating profit pre-impairment</b>	<b>1,301</b>	<b>1,451</b>	<b>1,235</b>	<b>1,050</b>	<b>852</b>
Net impairment (losses) / gains	(472)	(296)	(178)	(15)	42
Share of associates / JVs	92	46	41	43	41
<b>Underlying profit before tax</b>	<b>921</b>	<b>1,201</b>	<b>1,098</b>	<b>1,078</b>	<b>935</b>
Non core items	(1)	31	(63)	(226)	(100)
<b>Profit before tax</b>	<b>920</b>	<b>1,232</b>	<b>1,035</b>	<b>852</b>	<b>835</b>
Net interest margin	2.11%	2.19%	2.20%	2.29%	2.20%
Cost / income ratio <sup>2</sup>	54%	53%	57%	62%	66%
Dividend per share	-	-	-	11.5c	16.0c

<sup>1</sup> Transformation Investment charge was previously disclosed as 'Core Banking Platform Investment charge', it has been updated to include the broader scope of Transformation covering Culture, Systems and Business Model

<sup>2</sup> Cost / income ratio is calculated as operating expenses (excluding levies and regulatory charges) divided by total income

<sup>3</sup> Comparative figures for 2016 have been restated to reflect the impact of the reclassification of the charges relating to the Central Bank of Ireland's Tracker Mortgage Examination Review as non-core and the impact of the voluntary change in the Group's accounting policy for Life assurance operations

<sup>4</sup> Comparative figures have been restated to reflect the impact of the reclassification of €7 million of costs from the Transformation Investment charge (formerly the Core Banking Platform Investment charge) to Operating expenses (before Transformation Investment and levies and regulatory charges) for 2017

# BOI Overview

2018 Credit Presentation

## Summary Balance Sheet

	Dec 14 (€bn)	Dec 15 (€bn)	Dec 16 (€bn)	Dec 17 (€bn)	Dec 18 (€bn)
Customer loans <sup>1</sup>	82	85	78	76	77
Liquid assets	25	24	21	24	25
Wealth and Insurance assets	16	16	17	17	17
Other assets	7	6	7	6	5
<b>Total assets</b>	<b>130</b>	<b>131</b>	<b>123</b>	<b>123</b>	<b>124</b>
Customer deposits	75	80	75	76	79
Wholesale funding	20	14	14	13	11
Wealth and Insurance liabilities	16	16	17	17	17
Other liabilities	8	10	6	5	5
Subordinated liabilities and AT1	2	3	2	3	3
Shareholders' equity	9	8	9	9	9
<b>Total liabilities &amp; Shareholders' equity</b>	<b>130</b>	<b>131</b>	<b>123</b>	<b>123</b>	<b>124</b>
Fully loaded CET1 ratio	9.3%	11.3%	12.3%	13.8%	13.4%
Net stable funding ratio	114%	120%	122%	127%	130%
Loan to deposit ratio	110%	106%	104%	100%	97%
TNAV per share	€6.49	€7.24	€7.40	€7.52	€7.85

<sup>1</sup> Loans and advances to customers is stated after impairment loss allowance

# BOI Overview

2018 Credit Presentation

Profile of customer loans<sup>1</sup> at Dec 18 (Gross)

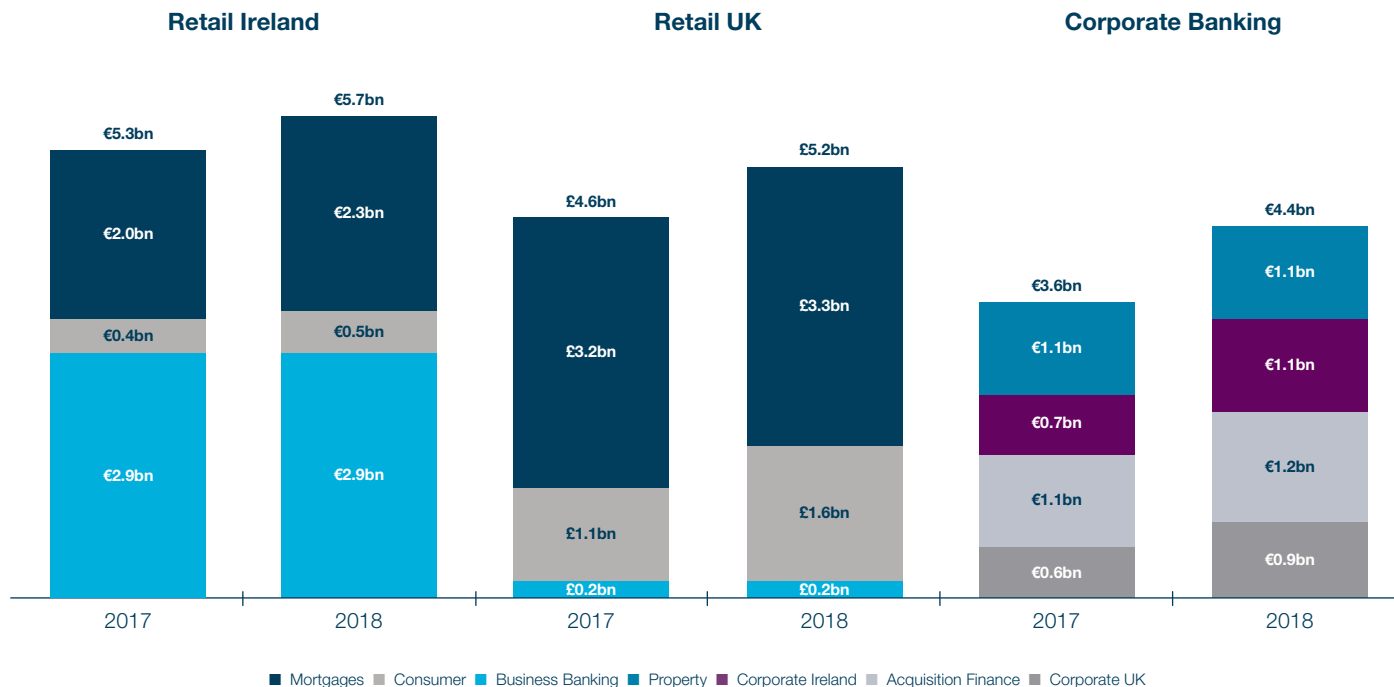
Composition (Dec 2018)	ROI (€bn)	UK (€bn)	RoW (€bn)	Total (€bn)	Total (%)
<b>Mortgages</b>	<b>23.7</b>	<b>21.7</b>	<b>0.0</b>	<b>45.4</b>	58%
<b>Non-property SME and corporate</b>	<b>10.8</b>	<b>4.6<sup>2</sup></b>	<b>4.1</b>	<b>19.5</b>	24%
<i>SME</i>	7.6	1.6	0.0	9.2	11%
<i>Corporate</i>	3.2	3.0	4.1	10.3	13%
<b>Property and construction</b>	<b>5.7</b>	<b>1.9</b>	<b>0.7</b>	<b>8.3</b>	11%
<i>Investment property</i>	5.2	1.8	0.7	7.7	10%
<i>Land and development</i>	0.5	0.1	0.0	0.6	1%
<b>Consumer</b>	<b>2.2</b>	<b>3.0</b>	<b>0.0</b>	<b>5.2</b>	7%
<b>Customer loans (gross)</b>	<b>42.4</b>	<b>31.2</b>	<b>4.8</b>	<b>78.4</b>	<b>100%</b>
<b>Geographic (%)</b>	54%	40%	6%	100%	

<sup>1</sup> Based on geographic location of customer

<sup>2</sup> Includes GB business and corporate loan books, which BOI was required to run down under its EU approved Restructuring Plan (2017: £0.7bn; 2018: £0.4bn)

# Gross new lending volumes

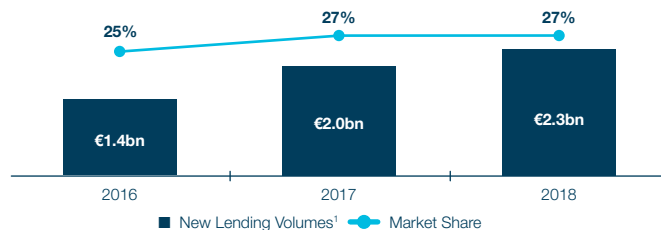
2018 Credit Presentation



# ROI Mortgages: €23.7bn

2018 Credit Presentation

## New Lending volumes and Market Share



## Pricing strategy

- Fixed rate led mortgage pricing strategy which provides value, certainty and stability to our customers and to the Group
- Fixed rate products accounted for c.92% of our new lending in 2018, up from c.30% in 2014

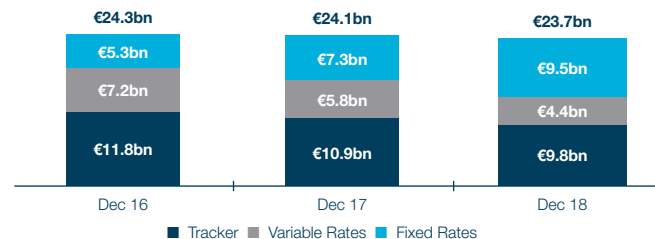
## Distribution strategy

- Market share of 27% in 2018 consistent with 2017
- Re-entered the Irish mortgage broker market in late 2018

## Wider proposition

- 7 in 10 ROI customers who take out a new mortgage take out a life assurance policy through BOI Group
- 3 in 10 ROI customers who take out a new mortgage take out a general insurance policy through BOI Group with insurance partners

## ROI Mortgages (gross)



## LTV profile

- Average LTV of 61% on existing mortgage stock at Dec 2018 (Dec 17: 63%, Dec 16: 72%)
- Average LTV of 71% on new mortgages in 2018 (Dec 17: 69%<sup>2</sup>, Dec 16: 67%<sup>2</sup>)

## Tracker mortgages

- €9.3bn or 95% of trackers at Dec 2018 are on a capital and interest repayment basis
- 79% of trackers are Owner Occupier mortgages; 21% of trackers are Buy to Let mortgages
- Loan asset spread on ECB tracker mortgages was c.65bps<sup>3</sup> in 2018

<sup>1</sup> Excluding portfolio acquisitions (2016 - €0.2bn; 2017 - €0.1bn; 2018 - Nil)

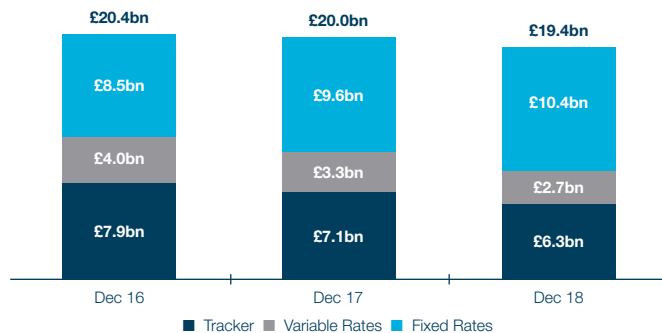
<sup>2</sup> LTV on new business includes the impact of the portfolio acquisitions

<sup>3</sup> Average customer pay rate of 109bps less Group average cost of funds of 44bps

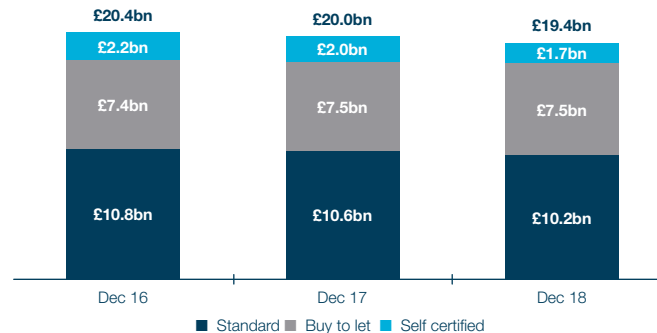
# UK Mortgages: £19.4bn/€21.7bn

2018 Credit Presentation

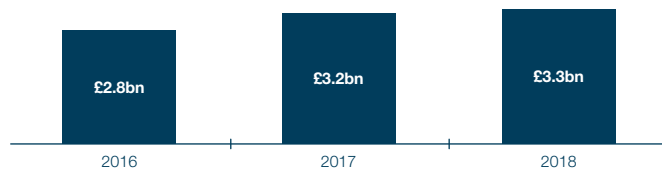
## UK Mortgages (gross)



## UK Mortgages (gross)



## UK Mortgages new lending volumes



## LTV profile

- Average LTV of 62% on existing stock at Dec 2018 (Dec 17: 62%, Dec 16: 62%)
- Average LTV of 72% on new UK mortgages in 2018 (2017: 72%, 2016: 71%)

# Income Statement

2018 Credit Presentation

## Divisional performance

Year ended Dec 18	Underlying profit / (loss) before tax and additional gains / (losses) (€m)	Additional gains / (losses) (€m)	Underlying profit / (loss) before tax (€m)
Retail Ireland	665	(16)	649
Wealth and Insurance (formerly Bank of Ireland Life)	67	-	67
Retail UK – €	175	7	182
Retail UK – £	155	6	161
Corporate and Treasury	477	9	486
Group Centre & other	(346)	10	(336)
Transformation Investment charge	(113)	-	(113)
<b>Group</b>	<b>926</b>	<b>9</b>	<b>935</b>

Year ended Dec 17 <sup>1</sup>	Underlying profit / (loss) before tax and additional gains (€m)	Additional gains (€m)	Underlying profit / (loss) before tax (€m)
Retail Ireland	700	1	701
Wealth and Insurance (formerly Bank of Ireland Life)	117	-	117
Retail UK – €	94	9	103
Retail UK – £	83	8	91
Corporate & Treasury	523	22	545
Group Centre & Other	(326)	42	(284)
Core Banking Platforms investment	(104)	-	(104)
<b>Group</b>	<b>1,004</b>	<b>74</b>	<b>1,078</b>

<sup>1</sup> Comparative figures have been restated to reflect the impact of: (i) the reclassification of €7 million of costs from the Transformation Investment charge (formerly the Core Banking Platform Investment charge) to Operating expenses (before Transformation Investment and levies and regulatory charges) for 2017. The Transformation Investment charge has been booked in Group Centre for the current and comparative year; (ii) the Group's decision to re-organise the Wealth and Insurance operating segment (formerly Bank of Ireland Life) to incorporate the Private Banking and Insurance Services business units which were previously reported within Retail Ireland. This has resulted in an increase of €11 million in the underlying profit before tax of Wealth and Insurance and a corresponding decrease in the underlying profit before tax of Retail Ireland for 2017; and (iii) the Group's decision to reorganise the Corporate and Treasury segment to incorporate Group Treasury's costs which were previously reported within Group Centre. This has resulted in a decrease of €8million in the underlying profit before tax of Corporate and Treasury and a corresponding increase in Group Centre for 2017



## Interest Rate Sensitivity

2018 Credit Presentation

The table below shows the estimated sensitivity of the Group's income (before tax) to an instantaneous and sustained 1% parallel movement in interest rates

Estimated sensitivity on Group income (1 year horizon)	Dec 17 (€m)	Dec 18 (€m)
100bps higher	c.170	c.180
100bps lower	(c.200)	(c.210)

The estimates are based on management assumptions primarily related to:

- the re-pricing of customer transactions;
- the relationship between key official interest rates set by Monetary Authorities and market determined interest rates; and
- the assumption of a static balance sheet by size and composition

In addition, changes in market interest rates could impact a range of other items including the valuation of the Group's IAS19 defined benefit pension schemes

# Income Statement

2018 Credit Presentation

## Net interest income analysis

	H1 2017			H2 2017			H1 2018			H2 2018		
	Average Volumes (€bn)	Gross Interest (€m)	Gross Rate (%)	Average Volumes (€bn)	Gross Interest (€m)	Gross Rate (%)	Average Volumes (€bn)	Gross Interest (€m)	Gross Rate (%)	Average Volumes (€bn)	Gross Interest (€m)	Gross Rate (%)
Ireland Loans <sup>1</sup>	35.5	547	3.11%	35.3	545	3.07%	34.6	531	3.09%	34.4	531	3.06%
UK Loans	29.5	460	3.15%	28.0	430	3.05%	28.1	440	3.16%	27.6	447	3.21%
C&T Loans	12.7	254	4.03%	12.8	253	3.92%	13.6	259	3.85%	14.6	287	3.89%
<b>Total Loans &amp; Advances to Customers</b>	<b>77.7</b>	<b>1,261</b>	<b>3.27%</b>	<b>76.1</b>	<b>1,228</b>	<b>3.20%</b>	<b>76.3</b>	<b>1,230</b>	<b>3.25%</b>	<b>76.6</b>	<b>1,265</b>	<b>3.28%</b>
Liquid Assets	21.3	49	0.46%	20.8	43	0.41%	22.1	35	0.32%	22.7	38	0.33%
NAMA Sub Debt	0.3	17	11.97%	0.3	17	11.97%	0.2	4	3.50%	0.1	2	5.24%
<b>Total Interest Earning Assets</b>	<b>99.3</b>	<b>1,327</b>	<b>2.70%</b>	<b>97.2</b>	<b>1,288</b>	<b>2.63%</b>	<b>98.6</b>	<b>1,269</b>	<b>2.60%</b>	<b>99.4</b>	<b>1,305</b>	<b>2.60%</b>
Ireland Deposits	20.6	(12)	(0.12%)	20.4	(9)	(0.08%)	20.5	(8)	(0.08%)	20.7	(8)	(0.08%)
Credit Balances <sup>2</sup>	27.1	0	(0.00%)	29.3	4	0.03%	30.5	2	0.01%	32.8	3	0.02%
UK Deposits	19.3	(83)	(0.86%)	18.2	(74)	(0.80%)	18.9	(81)	(0.86%)	18.6	(88)	(0.94%)
C&T Deposits	6.0	(10)	(0.35%)	5.2	(9)	(0.35%)	4.7	(9)	(0.39%)	4.9	(9)	(0.37%)
<b>Total Deposits</b>	<b>73.0</b>	<b>(105)</b>	<b>(0.29%)</b>	<b>73.1</b>	<b>(88)</b>	<b>(0.24%)</b>	<b>74.6</b>	<b>(96)</b>	<b>(0.26%)</b>	<b>77.0</b>	<b>(102)</b>	<b>(0.26%)</b>
Wholesale Funding <sup>3</sup>	14.3	(43)	(0.60%)	12.3	(36)	(0.58%)	12.3	(45)	(0.73%)	11.0	(52)	(0.94%)
Subordinated Liabilities	1.4	(35)	(5.17%)	1.8	(42)	(4.80%)	2.1	(49)	(4.77%)	2.1	(51)	(4.86%)
<b>Total Interest Bearing Liabilities</b>	<b>88.7</b>	<b>(183)</b>	<b>(0.42%)</b>	<b>87.2</b>	<b>(166)</b>	<b>(0.38%)</b>	<b>89.0</b>	<b>(190)</b>	<b>(0.43%)</b>	<b>90.1</b>	<b>(205)</b>	<b>(0.45%)</b>
IFRS Income Classification		(8)			5			7			7	
Other <sup>4</sup>		7			(25)			9			(22)	
<b>Net Interest Margin</b>	<b>99.3</b>	<b>1,143</b>	<b>2.32%</b>	<b>97.2</b>	<b>1,102</b>	<b>2.25%</b>	<b>98.6</b>	<b>1,095</b>	<b>2.23%</b>	<b>99.4</b>	<b>1,085</b>	<b>2.17%</b>
Average ECB Base rate			0.00%			0.00%			0.00%			0.00%
Average 3 month Euribor			(0.33%)			(0.33%)			(0.33%)			(0.32%)
Average BOE Base rate			0.25%			0.32%			0.50%			0.70%
Average 3 month LIBOR			0.33%			0.38%			0.62%			0.82%

<sup>1</sup> Includes average interest earning assets of c.€0.3bn in 2018 carried at Fair Value through Profit or Loss with associated FY18 interest income of c.€15m

<sup>2</sup> Credit balances in H2 2018: ROI €25.4bn, UK €3.3bn, C&T €4.1bn

<sup>3</sup> Includes impact of credit risk transfer transactions executed in Dec 2016 and Nov 2017

<sup>4</sup> Includes customer termination fees, EIR adjustments and other adjustments that are expected to be of a non-recurring nature

## Non-core items

2018 Credit Presentation

	FY 2017 (€m)	FY 2018 (€m)
Cost of restructuring programme	(48)	(111)
– Transformation investment costs <sup>1</sup>	(48)	(93)
– Other restructuring charges <sup>2</sup>	-	(18)
Gain on disposal of Property	-	7
Gross-up for policyholder tax in the Wealth and Insurance business	10	(7)
Investment return on treasury stock held for policyholders	(1)	6
(Loss) / gain on disposal / liquidation of business activities	(5)	5
Tracker Mortgage Examination Review charges	(170)	-
(Charge) / gain arising on the movement in the Group's credit spreads	(5)	-
Cost of corporate reorganisation and establishment of a new holding company	(7)	-
<b>Total non-core items</b>	<b>(226)</b>	<b>(100)</b>

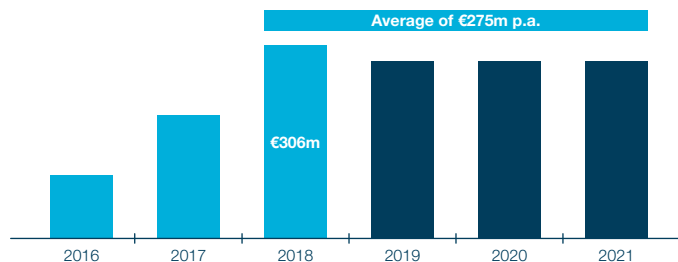
<sup>1</sup> Transformation Investment costs of €93 million primarily relate to a reduction in employee numbers (€74 million), programme management costs (€8 million) and costs related to the implementation of the Group's property strategy (€11 million)

<sup>2</sup> Other restructuring charges of €18 million primarily relate to impairment of property, plant and equipment and intangible assets

# Transformation Investment

2018 Credit Presentation

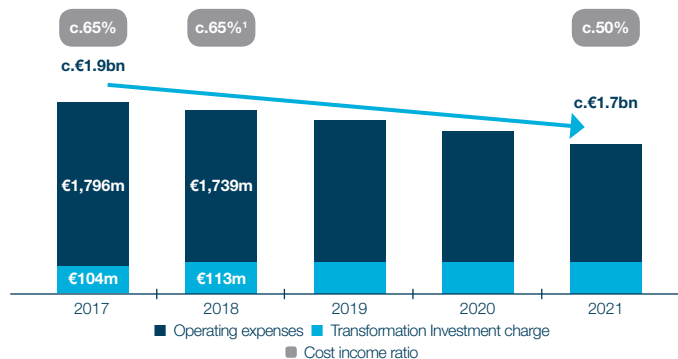
2016-21 investment: €1.4bn



## Increasing our investment to support growth and drive efficiencies

- Scope: Culture, Systems, Business Model
- Average annual investment of €275m from 2018-2021; equates to CET1 capital of c.50-60bps p.a.
- Expected accounting treatment of investment (average €275m p.a.):
  - 40% capitalised as intangible asset
  - 40% charged as Transformation Investment charge in the Income statement
  - 20% charged as non-core restructuring costs in the Income statement

## Costs will decrease every year in absolute terms



## Efficiency targets

- Cost target of c.€1.7bn in 2021
- Costs reduce every year: 2018 – 2021
- Cost income ratio improves from 65% to c.50% in 2021

<sup>1</sup> See Slide 51 for calculation

# Non-performing exposures by portfolio

2018 Credit Presentation

Composition (Dec 18)	Advances (€bn)	Non-performing exposures (€bn)	Non-performing exposures as % of advances	Impairment loss allowance (€bn)	Impairment loss allowance as % of non-performing exposures
<b>Residential Mortgages</b>	<b>45.4</b>	<b>2.8</b>	<b>6.0%</b>	<b>0.5</b>	<b>20%</b>
– Republic of Ireland	23.7	2.3	9.5%	0.4	21%
– UK	21.7	0.5	2.3%	0.1	15%
<b>Non-property SME and Corporate</b>	<b>19.5</b>	<b>1.2</b>	<b>6.2%</b>	<b>0.6</b>	<b>52%</b>
– Republic of Ireland SME	7.6	0.8	11.2%	0.4	49%
– UK SME	1.6	0.1	6.1%	0.1	53%
– Corporate	10.3	0.3	2.6%	0.1	60%
<b>Property and construction</b>	<b>8.3</b>	<b>0.9</b>	<b>11.0%</b>	<b>0.4</b>	<b>45%</b>
– Investment property	7.7	0.8	10.7%	0.4	44%
– Land and development	0.6	0.1	14.0%	0.0	54%
<b>Consumer</b>	<b>5.2</b>	<b>0.1</b>	<b>2.1%</b>	<b>0.2</b>	<b>140%</b>
<b>Total loans and advances to customers</b>	<b>78.4</b>	<b>5.0</b>	<b>6.3%</b>	<b>1.7</b>	<b>35%</b>

Composition (Dec 17)	Advances (€bn)	Non-performing exposures (€bn)	Non-performing exposures as % of advances	Impairment loss allowance (€bn)	Impairment loss allowance as % of non-performing exposures
<b>Residential Mortgages</b>	<b>46.7</b>	<b>3.1</b>	<b>6.6%</b>	<b>0.7</b>	<b>23%</b>
– Republic of Ireland	24.1	2.7	11.0%	0.6	24%
– UK	22.6	0.4	1.9%	0.1	14%
<b>Non-property SME and Corporate</b>	<b>18.7</b>	<b>1.7</b>	<b>8.9%</b>	<b>0.9</b>	<b>49%</b>
– Republic of Ireland SME	8.2	1.3	15.4%	0.6	46%
– UK SME	1.7	0.1	8.6%	0.1	42%
– Corporate	8.8	0.3	3.0%	0.2	69%
<b>Property and construction</b>	<b>8.8</b>	<b>1.7</b>	<b>19.1%</b>	<b>0.7</b>	<b>44%</b>
– Investment property	8.3	1.5	17.9%	0.6	43%
– Land and development	0.5	0.2	39.4%	0.1	55%
<b>Consumer</b>	<b>4.3</b>	<b>0.1</b>	<b>2.1%</b>	<b>0.1</b>	<b>98%</b>
<b>Total loans and advances to customers</b>	<b>78.5</b>	<b>6.5</b>	<b>8.3%</b>	<b>2.4</b>	<b>36%</b>

## Debt Securities at fair value through other comprehensive income (FVOCI)

2018 Credit Presentation

	ROI (€bn)	UK (€bn)	France (€bn)	Other (€bn)	Dec 18 (€bn)	Dec 17 <sup>1</sup> (€bn)
Sovereign bonds	2.6	-	0.8	2.6	6.0	7.5
Senior debt	-	-	0.3	1.9	2.2	2.1
Covered bonds	0.2	0.4	0.9	2.2	3.7	3.1
Subordinated debt	-	-	-	0.1	0.1	0.4
Asset backed securities	-	-	-	-	0.0	0.1
<b>Total</b>	<b>2.8</b>	<b>0.4</b>	<b>2.0</b>	<b>6.8</b>	<b>12.0</b>	<b>13.2</b>
FVOCI Reserve	0.2	-	-	-	0.2	0.3

### Portfolio

- On 1 Jan 2018, debt securities classified as AFS financial assets under IAS39 were reclassified in accordance with IFRS 9
- The Group held €12.0bn of FVOCI debt securities at Dec 2018. Weighted average instrument level credit rating of the FVOCI portfolio is A+
- Other exposures of €6.8bn include supranational entities (€1.7bn), Spain (€0.9bn), Belgium (€0.9bn), Sweden (€0.8bn), and Other (€2.5bn – all exposures less than €0.5bn)

### NAMA

- On 1 Jan 2018, on transition to IFRS 9, the previous unamortised discount<sup>2</sup> which was amortising to the income statement under IAS39, was transferred in full to retained earnings (NIM impact c.2bps)
- In April 2018, the Group sold €0.2bn of NAMA subordinated bonds in a buy-back auction generating an additional gain in the income statement of c.€9m
- The Group holds NAMA subordinated bonds – €70m nominal value, valued at 104% at Dec 2018 (Dec 17 – 104%)

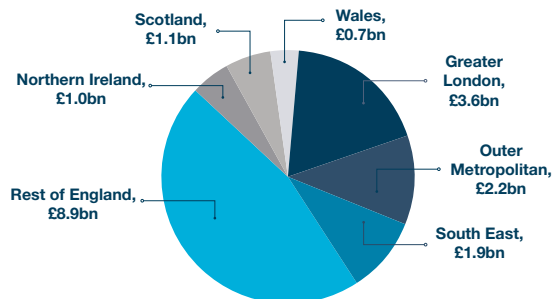
<sup>1</sup> The Group held €13.2bn of AFS financial assets at Dec 17 which were reclassified under IFRS 9 to FVOCI (€10.1bn), Amortised Cost (€2.8bn) and FVTPL (€0.3bn)

<sup>2</sup> An initial discount was recognised on the NAMA subordinated bonds with subsequent changes in fair value being recognised in the AFS Reserve

# UK Customer Loans £27.9bn (€31.2bn)

2018 Credit Presentation

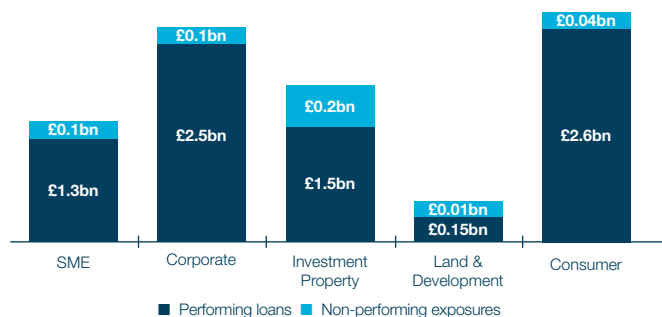
## UK Mortgages – £19.4bn



## UK Mortgages Analysis – £19.4bn

- Total UK mortgages of £19.4bn; (NPEs: 2%)
  - Average LTV of 62% on total book (2017: 62%)
  - Average LTV of 72% on new mortgages (2017: 72%)
- 70% of mortgages originated since January 2010 are standard owner occupier mortgages
- BTL book is well seasoned with 71% of these mortgages originating prior to January 2010
- Average balance of Greater London mortgages is c.£190k, with 93% of Greater London mortgages having an indexed LTV <70%

## Other UK Customer Loans – £8.5bn



## Other UK Customer Loans Analysis – £8.5bn

- Non-performing exposures of £0.4bn with strong coverage ratios
- Performing loans of £8.1bn;
  - SME: broad sectoral diversification with low concentration risk
  - Corporate: specialist lending teams in Acquisition Finance, Project Finance, and Corporate lending through a focused sector strategy
  - Investment Property: primarily Retail, Office and Residential sectors
  - Consumer (£2.7bn):
    - Northridge (£1.4bn): Asset backed motor finance business; net loan book increase of £0.3bn in 2018; mid-market pricing targeting prime business only; below industry arrears and loan losses
    - Personal loan volumes (£0.7bn): net loan book increase of £0.3bn in 2018; improved credit risk process has driven increase in customer applications and drawdowns
    - Credit cards (£0.6bn): classified as held for sale as at Dec 2018

# Capital

2018 Credit Presentation

## CET1 ratios – Dec 2018

	Regulatory ratio (€bn)	Fully loaded ratio (€bn)
Total equity	10.1	10.1
Less Additional Tier 1	(0.8)	(0.8)
Deferred tax <sup>1</sup>	(0.4)	(1.1)
Intangible assets and goodwill	(0.7)	(0.7)
Foreseeable dividend <sup>2</sup>	(0.2)	(0.2)
Expected loss deduction	(0.6)	(0.6)
Other items <sup>3</sup>	(0.2)	(0.3)
<b>Common Equity Tier 1 Capital</b>	<b>7.2</b>	<b>6.4</b>
Credit RWA	41.6	41.4
Operational RWA	4.5	4.5
Market, CCR and Securitisations	1.7	1.7
<b>Total RWA</b>	<b>47.8</b>	<b>47.6</b>
<b>Common Equity Tier 1 ratio</b>	<b>15.0%</b>	<b>13.4%</b>
<b>Total Capital Ratio</b>	<b>18.8%</b>	<b>17.2%</b>
<b>Leverage Ratio</b>	<b>7.0%</b>	<b>6.3%</b>

### Phasing impacts on Regulatory ratio

- Deferred tax assets – certain DTAs<sup>1</sup> are deducted at a rate of 40% for 2018, increasing annually at a rate of 10% thereafter until 2024
- IFRS 9 – the Group has elected to apply the transitional arrangement which on a Regulatory CET1 basis resulted in minimal impact from initial adoption and will partially mitigate future impacts in the period to 2022. The transitional arrangement allows a 95% add-back in 2018, decreasing to 85%, 70%, 50% and 25% in subsequent years

<sup>1</sup> Deferred tax assets due to temporary differences are included in other RWA with a 250% risk weighting applied

<sup>2</sup> Dividend deduction of €173m

<sup>3</sup> Other items - the principal items being the cash flow hedge reserve, securitisation deduction and 10%/15% threshold deduction



# Capital Guidance and Distribution Policy

2018 Credit Presentation

## Capital Guidance

- The Group expects to maintain a CET1 ratio in excess of 13% on a regulatory basis and on a fully loaded basis by the end of the O-SII phase-in period<sup>1</sup>
- This includes meeting applicable regulatory capital requirements plus an appropriate management buffer

## Distribution Policy

- The Group expects that dividends will increase on a prudent and progressive basis and, over time, will build towards a payout ratio of around 50% of sustainable earnings
- Dividend level and rate of progression will reflect, amongst other things:
  - Strength of the Group's capital and capital generation;
  - Board's assessment of growth and investment opportunities available;
  - Any capital the Group retains to cover uncertainties; and
  - Any impact from the evolving regulatory and accounting environments
- Other means of capital distribution will be considered to the extent the Group has excess capital

## Proposed Dividend

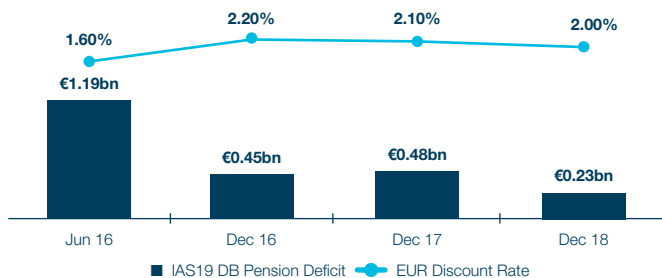
- Proposed dividend of 16 cent per share / €173m in respect of 2018, increased from 11.5 cent per share / €124m in 2017

<sup>1</sup> The Other Systemically Important Institution (O-SII) buffer will be introduced at 0.5% in July 2019, increasing to 1.0% in July 2020 and 1.5% in July 2021

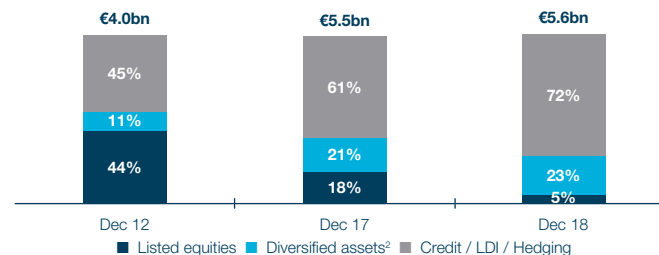
# Defined Benefit Pension Schemes

2018 Credit Presentation

## Group IAS19 Defined Benefit Pension Deficit



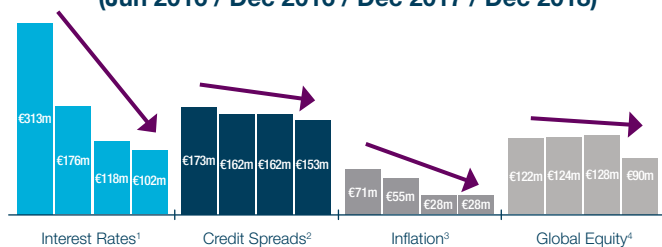
## Mix of BSPF\* Defined Benefit Pension Scheme Assets (%)<sup>1</sup>



\* BSPF = Bank of Ireland Staff Pensions Fund

<sup>1</sup> Graphs shows BSPF asset allocation. BSPF represents approx. 77% of DB Pension assets<sup>2</sup> Diversified assets includes infrastructure, private equity, hedge funds and property

## IAS19 Pension Deficit Sensitivities (Jun 2016 / Dec 2016 / Dec 2017 / Dec 2018)

<sup>1</sup> Sensitivity of Group deficit to a 0.25% decrease in interest rates<sup>2</sup> Sensitivity of IAS19 liabilities to a 0.10% decrease in credit spread over risk free rates<sup>3</sup> Sensitivity of Group deficit to a 0.10% increase in long term inflation<sup>4</sup> Sensitivity of deficit to a 5% decrease in global equity markets with allowance for other correlated diversified asset classes

- IAS19 Pension deficit of €0.23bn at Dec 2018: schemes in deficit €0.27bn, schemes in surplus €0.04bn
- The primary drivers of the movement were:
  - Deficit reducing contribution of c.€82m to BSPF and c.€34m to other schemes
  - Net positive impact of changes in long term assumptions and experience in 2018
- The Group has continued to support Trustees in diversifying asset portfolios away from listed equity into other return-seeking but potentially less volatile asset classes. In Q4 2018 the BSPF investment in listed equities was reduced from 15% to 5%
- BSPF asset returns of +1.5% and +2.6%.p.a. were achieved over 1 year and 3 years respectively to end Dec 2018

## Ordinary shareholders' equity and TNAV

2018 Credit Presentation

Movement in ordinary shareholders' equity	2017 (€m)	2018 (€m)
<b>Ordinary shareholders' equity at beginning of period</b>	<b>8,612</b>	<b>8,859</b>
<b>Movements:</b>		
Profit attributable to shareholders	664	620
Impact of adopting IFRS 9	-	(31)
Dividend paid to ordinary shareholders (2017 dividend of 11.5c per share)	-	(124)
Dividends on preference equity interests	(4)	-
Distribution on other equity instruments – additional tier 1 coupon (net of tax)	(24)	-
Remeasurement of the net defined benefit pension liability	(113)	129
Debt instruments at FVOCI reserve movements	-	133
Available for sale (AFS) reserve movements	(9)	(341)
Cash flow hedge reserve movement	(115)	(51)
Foreign exchange movements	(147)	10
Other movements	(5)	39
<b>Ordinary shareholders' equity at end of period</b>	<b>8,859</b>	<b>9,243</b>
<b>Tangible net asset value</b>	<b>Dec 17 (€m)</b>	<b>Dec 18 (€m)</b>
<b>Ordinary shareholders' equity at the end of period</b>	<b>8,859</b>	<b>9,243</b>
<b>Adjustments:</b>		
Intangible assets and goodwill	(779)	(802)
Own stock held for benefit of life assurance policyholders	33	25
<b>Tangible net asset value (TNAV)</b>	<b>8,113</b>	<b>8,466</b>
Number of ordinary shares in issue at the end of the period	1,079	1,079
<b>TNAV per share (€)</b>	<b>€7.52</b>	<b>€7.85</b>

## Cost income ratio: Dec 2018

2018 Credit Presentation

Headline vs. Adjusted

	FY 2018 Headline (€m)	Pro forma adjustments (€m)	FY 2018 Pro forma (€m)
<b>Net interest income</b>	<b>2,146</b>	-	<b>2,146</b>
<b>Other income</b>			
– Business income	672	-	672
– Additional gains	9	(9)	-
– Other valuation items <sup>1</sup>	(22)	56	34
<b>Total Income</b>	<b>2,805</b>	<b>47</b>	<b>2,852</b>
<b>Costs</b>			
– Operating expenses	1,739	-	1,739
– Transformation Investment	113	-	113
<b>Costs</b>	<b>1,852</b>	-	<b>1,852</b>
<b>Cost income ratio</b>	<b>66%</b>		<b>65%</b>

- **Cost income ratio excludes;**
  - Levies and Regulatory charges
  - Non-core items

- **2018 adjusted cost income ratio is adjusted for;**
  - Additional Gains and valuation items<sup>1</sup> (€47m)

<sup>1</sup> Excludes IFRS income classifications which is fully offset in net interest income

# Return on tangible equity (RoTE)

2018 Credit Presentation

2018: Headline vs. Adjusted

	2018 Headline (€m)	Adjustments				2018 Adjusted (€m)
		Additional gains, & valuations items <sup>1</sup> , net of tax	2018 impairment gains, net of tax	“Normalised” impairment adjustment, net of tax	Adjustment for CET1 Ratio at 13%	
<b>Profit for the period</b>	<b>675</b>					
Non-Core items, net of tax	78					
Coupon on Additional Tier 1 securities	(48)					
Preference share dividends	(7)					
<b>Adjusted profit after tax</b>	<b>698</b>	<b>38</b>	<b>(34)</b>	<b>(127)</b>	<b>-</b>	<b>575</b>
<b>At Dec 2018</b>						
Shareholders' equity	9,243				(184)	<b>9,059</b>
Intangible assets	(802)					<b>(802)</b>
Shareholders' tangible equity	8,441				(184)	<b>8,257</b>
<b>Average shareholders' tangible equity</b>	<b>8,229</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(296)</b>	<b>7,933</b>
<b>Return on tangible equity (RoTE)</b>	<b>8.5%</b>					<b>7.2%</b>

- **2018 Adjusted Return on Tangible Equity is adjusted for;**
  - Additional gains and valuations items<sup>1</sup>, net of tax – €38m
  - Reversal of 2018 net impairment gain 2018, net of tax – €34m
  - “Normalised” impairment charge (20bps), net of tax – €127m
  - Average Shareholders' tangible equity calculated on a CET1 Ratio at 13% – €296m

<sup>1</sup> Excludes IFRS income classifications which is fully offset in net interest income

## Forward-Looking statement

2018 Credit Presentation

This document contains forward-looking statements with respect to certain of the Bank of Ireland Group plc (the 'Company' or 'BOIG plc') and its subsidiaries' (collectively the 'Group' or 'BOIG plc Group') plans and its current goals and expectations relating to its future financial condition and performance, the markets in which it operates and its future capital requirements. These forward-looking statements often can be identified by the fact that they do not relate only to historical or current facts. Generally, but not always, words such as 'may,' 'could,' 'should,' 'will,' 'expect,' 'intend,' 'estimate,' 'anticipate,' 'assume,' 'believe,' 'plan,' 'seek,' 'continue,' 'target,' 'goal,' 'would,' or their negative variations or similar expressions identify forward-looking statements, but their absence does not mean that a statement is not forward-looking.

Examples of forward-looking statements include, among others: statements regarding the Group's near term and longer term future capital requirements and ratios, level of ownership by the Irish Government, loan to deposit ratios, expected impairment charges, the level of the Group's assets, the Group's financial position, future income, business strategy, projected costs, margins, future payment of dividends, the implementation of changes in respect of certain of the Group's pension schemes, estimates of capital expenditures, discussions with Irish, United Kingdom, European and other regulators and plans and objectives for future operations. Such forward-looking statements are inherently subject to risks and uncertainties, and hence actual results may differ materially from those expressed or implied by such forward-looking statements.

Such risks and uncertainties include, but are not limited to, those as set out in the Risk Management Report in the Group's Annual Report for the year ended 31 December 2018. Investors should also read 'Principal Risks and Uncertainties' in the Group's Annual Report for the year ended 31 December 2018 beginning on page 61.

Nothing in this document should be considered to be a forecast of future profitability or financial position of the Group and none of the information in this document is or is intended to be a profit forecast or profit estimate. Any forward-looking statement speaks only as at the date it is made. The Group does not undertake to release publicly any revision to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date hereof.

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