

# 20 21

2021 Debt Investor Presentation

*30 June 2021*



**Bank of  
Ireland**

# Bank of Ireland Overview

## Strong performance in H1 2021

Bank of Ireland 2021 Interim Results – Debt Investor Presentation

### H1 2021 Performance

**€465m**  
Underlying profit  
before tax

- Operating profit pre-impairment +72% vs H1 2020
- Total income +14%; higher net interest income, business income and valuation items
- Strong UK performance; operating contribution +52% on higher margins and lower cost

### Asset Quality

**5.5%**  
NPE ratio

- Impairment charge of €1m reflecting improved economic outlook and minimal loan loss experience
- NPE ratio reduced to 5.5%, supported by €0.3bn Irish mortgage securitisation
- 99% of payment breaks now concluded with minimal impact on asset quality

### Transformation

**4%**  
Reduction  
in costs

- 7<sup>th</sup> straight reporting period of sustainable cost reductions
- End-to-End customer journey programme delivering c.€60m in annualised cost savings
- Ongoing progress in systems transformation with digital fulfilment now at 75%

### Capital

**15.3%**  
Regulatory  
CET1 ratio

- Strong capital position; Fully Loaded CET1 ratio 14.1%
- Pre-impairment organic capital generation of 90bps H1 2021 vs 45bps H1 2020
- Sufficient capital to execute proposed inorganic KBC and Davy opportunities

# Customers, Colleagues and Communities remain at the core of our strategy

Bank of Ireland 2021 Interim Results – Debt Investor Presentation



## Serving Customers

€1bn in new Irish mortgage lending



Net Promoter Score improved +3pts y/y to -3



Brand consideration<sup>1</sup> +4pts y/y to 21%



99% of payment breaks concluded

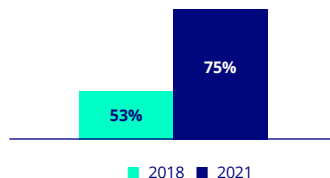
- Net Promoter Score rebounded strongly in April (+11pts during the month, from -12 to -1) following March branch closure announcement
- Financial wellbeing campaign sees 138% increase in financial health checks
- Euromoney “Best Bank in Ireland” award for second consecutive year



## Enabling Colleagues

### IBCB<sup>2</sup> Colleague Survey

People in BOI get things done for the customer



- Trust in senior leaders has increased by 14 points since 2018, and 82% trust their direct manager
- Market leading focus on colleague mental wellbeing during lockdown
- Developing skills and new ways of working with 130 new specialist in-house digital engineering roles and new hybrid working model



## Supporting Communities

Sustainable lending fund +250% by 2024



€5bn

€4m Begin Together programme



€1.25bn



Green Bond issuance in H1 2021



c.33% of Irish secondary schools participated in Money Smarts Challenge

- Industry leadership on provision of enhanced services to asylum seekers in Ireland; dedicated hub with access offered in 19 languages
- More than €1bn of Green Loans allocated to home owners and businesses
- Led launch of ‘Employers for Change’ Diversity & Inclusivity initiative, including dedicated training for all staff

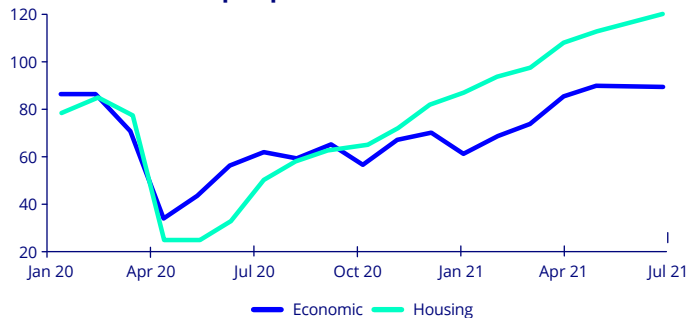
<sup>1</sup> Behaviours and Attitudes survey conducted for Bank of Ireland Group

<sup>2</sup> Irish Banking Culture Board is an independent industry initiative aimed at restoring trust in the sector

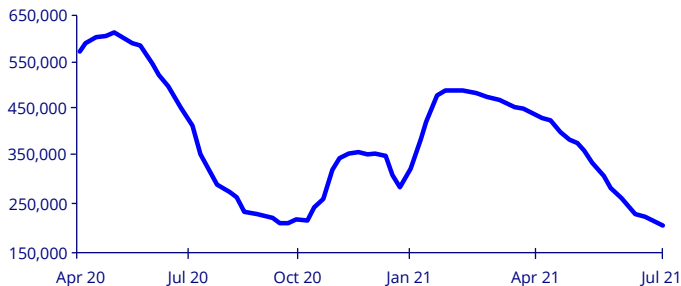
## Irish economic data supports improved outlook

Bank of Ireland 2021 Interim Results – Debt Investor Presentation

**Economic & Housing Pulse<sup>1</sup> indices above pre-pandemic levels**



**Pandemic Unemployment Payment (PUP) recipients; 68% below peak**



### Economic sentiment rebounds as economy reopens; housing market sentiment particularly strong

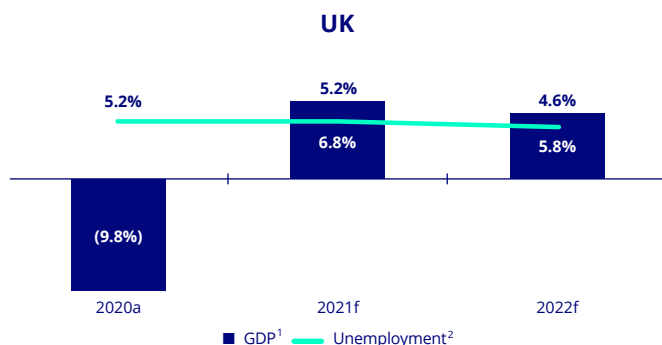
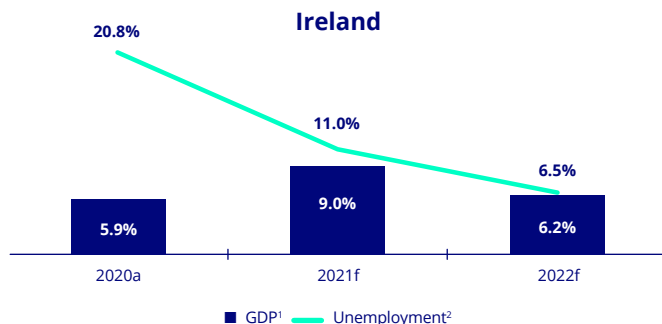
- Bank of Ireland Economic Pulse at 89.3 in July, ahead of its pre-pandemic level of 86.4 in Feb 2020
- While the ongoing reopening has lifted business sentiment, Pulse data show that costs are now rising for three in five firms
- House prices rose by +5.5% y/y in May, the fastest pace of growth in over two years, underpinned by the mismatch between supply and demand
  - Pulse data shows 4 in 5 households expect further house price gains over the coming year
- The number of recipients of the Irish government's PUP has reduced for 24 successive weeks (to late-July) as the economy reopens
- Pent-up demand and elevated savings fuelling increased consumer spending; volume of retail sales in June was 13.4% above the same month in 2019
- Consumer spending expected to recover further as restrictions around activity continue to ease
  - Pulse data shows a third of households expect their financial situation to improve in the next 12 months

Sources: Bank of Ireland Economic Pulse; Department of Social Protection

<sup>1</sup> The Bank of Ireland Economic Pulse is based on a series of monthly surveys of households and firms in Ireland which cover a wide range of topics including the economy, their financial situation, spending plans, house price expectations, business activity and hiring intentions.

## Strong outlook as economic activity broadens

Bank of Ireland 2021 Interim Results – Debt Investor Presentation



### Outlook for Irish economy continues to improve

- Recovery continued in H1 2021
  - multinational sector leading recovery (GDP +10.7% y/y in Q1 2021)
  - domestic economy expected to perform strongly in H2 2021 supported by growth of €18.5bn (+16.4%) in household deposits since the onset of the pandemic
- Irish government fiscal supports, equivalent to 22.7% of GNI<sup>\*3</sup> will continue to provide important breathing room over the coming months
- Irish unemployment rate projected to reduce in 2021 and 2022
- New housing commencements (25,501 in the 12 months to May 2021) are now in-line with pre-pandemic levels, having troughed at 17,708 in the 12 months to Mar 2021
- While there have been some challenges following last December's deal on Brexit, we see indications that most businesses are increasingly adjusting to the new trading arrangements
- Ireland vaccination rollout amongst the most successful in EU. c.85% of adults have received at least one dose, with c.70% now fully vaccinated

Sources: Forecasts (July 2021) by Bank of Ireland Economic Research Unit; CSO; ECDC; Central Bank of Ireland; ONS; Department of Finance; Department of Housing, Local Government and Heritage

<sup>1</sup> Annual real growth

<sup>2</sup> Q4 rate for both Ireland and UK; Ireland unemployment is the COVID-adjusted rate as calculated by the CSO

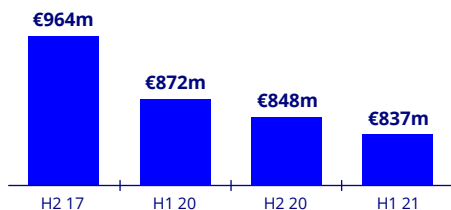
<sup>3</sup> GNI<sup>\*</sup>, or Modified Gross National Income, is an indicator designed to exclude globalisation effects that are disproportionately impacting the measurement of the size of the Irish economy

## 13% reduction in cost base since 2017

Bank of Ireland 2021 Interim Results – Debt Investor Presentation

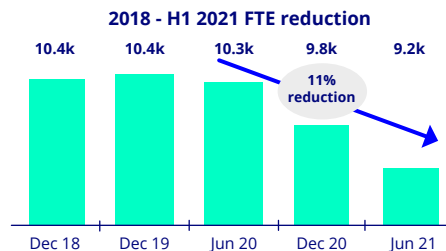
### Consistent progress

- Costs reduced by €127m vs. H2 2017, net of wage inflation and transformation investment
- Costs have reduced during each of the past seven reporting periods



### Broad based cost reduction

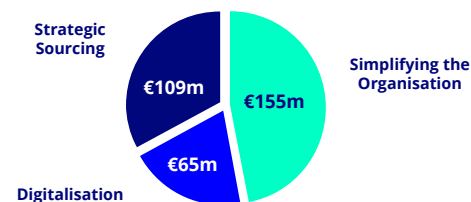
- 11% reduction in FTEs since Jun 2020
- Headcount reductions will underpin cost savings from other initiatives including branch closures, property and End-to-End



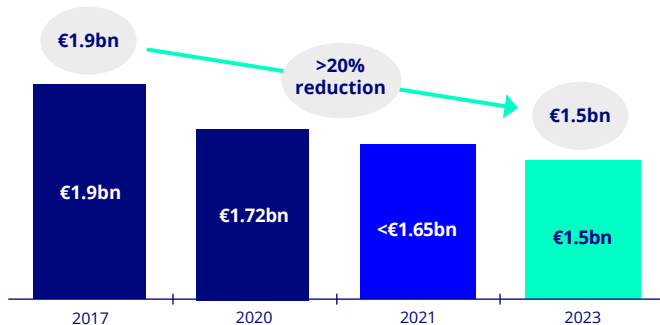
### Shift to digital-led savings

- Previous focus on business model changes will now shift to digital-led simplification of customer journeys and internal processes

#### 2017- H1 2021 gross cost savings



### 2023 cost target supported by existing momentum and fresh initiatives



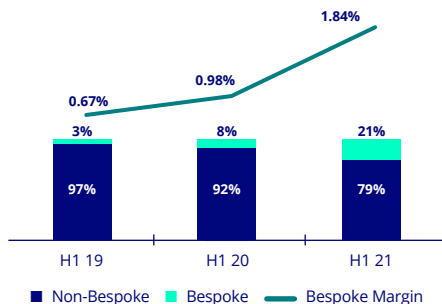
- 2021 costs of < €1.65bn
- 2023 costs of €1.5bn; sustainable cost reduction enabled by strategic decisions
  - Completion of successful voluntary redundancy scheme
  - Simplified and digitised customer journeys supported by End-to-End
  - Restructured UK business
  - Reduced property footprint, supported by new ways of working
  - New branch strategy including closures and reformatting

## Strategic progress with significant improvement in UK performance in H1

Bank of Ireland 2021 Interim Results – Debt Investor Presentation

Retail UK	H1 2019	H1 2020	H1 2021
Net interest income	£250m	£239m	£268m
Other income	(£6m)	£1m	(£1m)
Costs (excl. intangibles)	(£147m)	(£136m)	(£121m)
<b>Operating profit</b>	<b>£97m</b>	<b>£96m<sup>1</sup></b>	<b>£146m</b>
Impairment	(£31m)	(£242m)	(£2m)
JV income	£14m	£1m	(£5m)
<b>Underlying profit / (loss)</b>	<b>£80m</b>	<b>(£145m)</b>	<b>£139m</b>
Cost income ratio	60%	56%	45%
Loan book	£24.8bn	£24.5bn	£23.6bn
Deposits	£19.2bn	£19.5bn	£16.9bn
NIM	1.81%	1.66%	1.95%

### Increase in Bespoke mortgage lending mix and margin



<sup>1</sup> Includes £8m goodwill intangible write-off

<sup>2</sup> Bespoke is a personalised and flexible underwriting service for good quality more complex cases

### 52% improvement in operating profit in H1 2021 vs H1 2020

- 12% increase in net interest income
- 11% reduction in costs
- Significantly reduced impairment charge
- Travel restrictions continue to impact retail FX JV income
- Lower lending balances (reduction of £0.9bn vs £24.5bn Dec 2020), in line with strategy of lower volume, higher margin balance sheet
- Reduction in deposits (£1.4bn lower vs £18.3bn Dec 2020) supporting margin performance (c.11bps improvement in deposit margins in H1 2021 vs H2 2020)

### Strategic actions to further improve returns

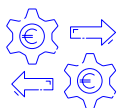
- Growth in Bespoke<sup>2</sup> as a proportion of new mortgage lending, with increased margins
  - Bespoke new lending of £259m in H1 2021 (up 170% vs H1 2020); now represents 21% of total new mortgage lending (vs 8% H1 2020)
  - Bespoke has lower LTV (72% H1 2021) than standardised (80%)
- Progress on cost initiatives including:
  - Northern Ireland branch closures commenced in June
  - >300 FTE (c.21%) leaving in 2021 under redundancy programme
- Building blocks to increase UK returns remain:
  - Higher new lending margins – a focus on value versus volume
  - Reduced funding costs
  - Lower operating costs
  - Smaller balance sheet



# Wealth & Insurance delivering organic growth

Bank of Ireland 2021 Interim Results – Debt Investor Presentation

**37%**  
of Group  
Business  
Income



**35%**  
Bank channel  
penetration  
(34% H1 2020)



## Rebound in performance in H1 2021, but remains impacted by restrictions

- Operating profit grew 27% in H1 2021 vs H1 2020
- Positive investment market performance of €22m
- New premium sales increased 34% to €186m
- Cost base improved 1% to €69m
- Continuing to gather wealth assets through deposits and investment products, AUM +17% y/y
- Market share in single premium investment segment steady at c.33%
- Embedded value €994m; 10% increase since Dec 2020

**c.€14bn**  
Excess deposits  
held by HNW/  
Affluent  
customer cohort



**> €21bn**  
AUM  
(+17% y/y)



### Ireland's only universal bancassurer

- Market leading positions in Life & Pensions and savings
- In-house product manufacturing and distribution platforms
- Over 600k customers and €21.2bn in AUM
- Irish household net worth at a record €855bn and Irish wealth market AUM expected to grow at 6%

### Delivering on opportunities identified

- Deposit opportunity continues to grow; low risk investment product sales c.€0.5bn H1 2021 (+83% y/y)
- Digital platforms provide ability to scale
  - Broker portal: 68% of new individual pensions applications via digital
  - Wealth advice platform: 6,000 registrations, 60% digital STP and sign up time -66%
  - Digital insurance wallet: generating c.40% of all general insurance policies

### Growth drivers in W&I

- Building out wealth opportunity via existing relationships with HNW and affluent customers
- Further growth in Life, Pensions & Investments activity (bulk deals +50% y/y in H1 2021)
- Increasing penetration of general insurance customer market, with c.85k home and motor policies already in place

**Wealth growth strategy supported by Davy acquisition<sup>1</sup>**

<sup>1</sup> Subject to regulatory and competition authority approvals

## Strategy supported by two significant acquisition opportunities



**J&E Davy ("Davy")**  
**Agreement reached in July on acquisition of wealth management and capital markets businesses**

- Davy founded in 1926; Ireland's market leading provider of mass affluent and high net worth wealth advisory and capital markets services
- Market leader in wealth management in Ireland with over €16bn AUM, including Davy Select, one of Ireland's leading investment platforms for self-directed investing
- Leading corporate advisory platform in Ireland (acting as corporate broker to 8 of the 10 largest Irish companies), €10bn+ of capital raised since 2017
- > 700 employees and FY 2020 adjusted PBT of c.€33m and c.75%/25% split of business across wealth and capital markets
- Agreement reached for an enterprise value of €440m and expected CET1 capital ratio impact of c.80bps, financed through existing resources
- Strong strategic fit, strengthening the range of services available to the Group's wealth and corporate customers
- Ageing Irish population is increasingly wealthy and seeking advice; acquisition will unlock growth opportunities within the Irish market and diversify income



**KBC Ireland**  
**MOU agreed in April to acquire performing loan assets and deposit liabilities**

- Acquisition on a portfolio basis, with commercial terms being negotiated
- Financed through existing resources
- KBC Ireland has c.300k customers; c.€9bn in performing loans and c.€5bn in deposits at the end of 2020<sup>1</sup>
- Acquisition will complement Group's strategy to grow core mortgage business in Ireland, and supports the investments being made in systems transformation



**Completion on both transactions, subject to regulatory and competition authority approval, expected in 2022. Acquisitions expected to be accretive to RoTE. We will provide an update on the Group's financial outlook alongside refreshed medium term targets in 2022**

<sup>1</sup> KBC Bank Ireland and KBC Group public disclosures

# Our Responsible and Sustainable Business strategy<sup>1</sup> is fundamental to our purpose of enabling our customers, colleagues and communities to thrive

Bank of Ireland 2021 Interim Results – Debt Investor Presentation

## Pillar 1 Enabling all Colleagues to Thrive



Developing **digital** ability and employability  
**Upskilling** and **reskilling**  
An **inclusive** and **diverse** workplace

50:50 gender target for new leadership appointments

## Pillar 2 Enhancing Financial Wellbeing



Increasing **capability** and **inclusion**  
Protecting the most **vulnerable**  
Enabling better **financial decisions**

Improve customer Financial Wellbeing<sup>2</sup> Index to >70

## Pillar 3 Supporting the Green Transition



Setting **Science Based Targets**<sup>3</sup> by end 2022  
Providing **Sustainable Finance**  
**Transparently** report progress  
Own operations **Net Zero** by 2030

## Key achievements on our RSB strategy in H1 2021

- **43% female** appointments in management and leadership roles
- 174 appointments into **digital roles** in H1 2021 of which **66%** were **internal appointments**
- First Irish company to achieve the **'Disability Smart Standard'**
- Partnered with **DCU** to support students from disadvantaged backgrounds
- A national financial wellbeing campaign: the **F-Word**, led to Bank of Ireland receiving the #1 ranking in 'Brand Shout' tracking survey in July
- Targeted support to **customers** in long-term credit card debt; **customers 2x more likely** to take positive action afterwards
- Enhanced service to support asylum applicants; increase of **>300% (Q/Q)** in **international protection applicants** opening a basic bank account
- **Raised €1.25bn** Green Bonds
- **Sustainable Finance Fund** to increase by €3bn to €5bn, with €1bn already drawn
- **Sustainability-linked mechanisms** included in **10 customer deals** in H1 2021 (aggregate of **€362m** gross facilities covered by this mechanism)
- Continued decarbonisation of our operations

## H2 2021 focus on implementation & embedding strategy across business, data requirements & developing SBTs<sup>3</sup>



<sup>1</sup> Full 'Investing in Tomorrow' RSB Strategy explained in **RSB Hub** on the Bank of Ireland Group website

<sup>2</sup> National survey conducted by BOI covering saving, spending, borrowing and planning, scored on a 0-100 scale

<sup>3</sup> Science Based Targets/SBTs - using methodology aligned with Partnership for Carbon Accounting Financials (PCAF) standards

# Operational Performance

## Strong recovery in H1 2021 financial performance

	H1 2020 (€m)	H1 2021 (€m)
Net interest income	1,063	1,080
Business income	266	282
Additional gains, valuation and other items	(107)	36
<b>Total Income</b>	<b>1,222</b>	<b>1,398</b>
Operating expenses	(872)	(837)
Levies and Regulatory charges	(70)	(96)
Impairment of intangibles and goodwill	(9)	-
<b>Operating profit pre-impairment</b>	<b>271</b>	<b>465</b>
Net impairment charges	(937)	(1)
Share of associates / JVs	(3)	1
<b>Underlying profit / (loss) before tax</b>	<b>(669)</b>	<b>465</b>
Non-core Items	(153)	(59)
<b>Profit before tax</b>	<b>(822)</b>	<b>406</b>

	H1 2020 (€m)	H1 2021 (€m)
Net interest margin (NIM)	2.02%	1.90%
Cost income ratio <sup>1</sup>	66%	61%
Underlying earnings per share	(59.7)	33.6c

### Bank of Ireland 2021 Interim Results – Debt Investor Presentation

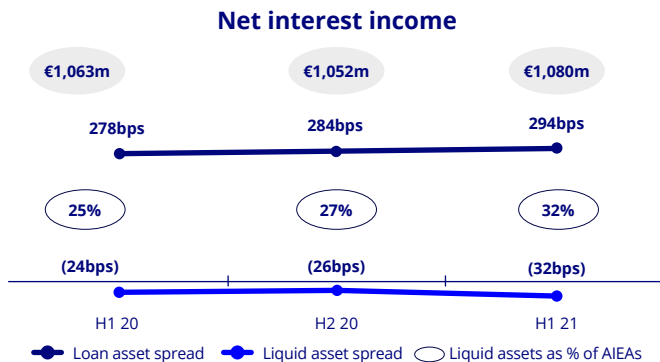
- Operating profit pre-impairment +72%
- Net interest income 2% higher
- Business income<sup>2</sup> +8% with easing of COVID-19 restrictions supporting further growth in H2 2021
- Valuation items benefitting from recovering bond and equity markets
- 4% reduction in operating expenses, net of inflation and transformation investment
- €1m net impairment charge (H1 2020 €0.9bn):
  - Improving macro outlook as economy reopens
  - Muted loan loss experience
- Non-core items include €69m of business model restructuring costs

<sup>1</sup> See page 58 for calculation

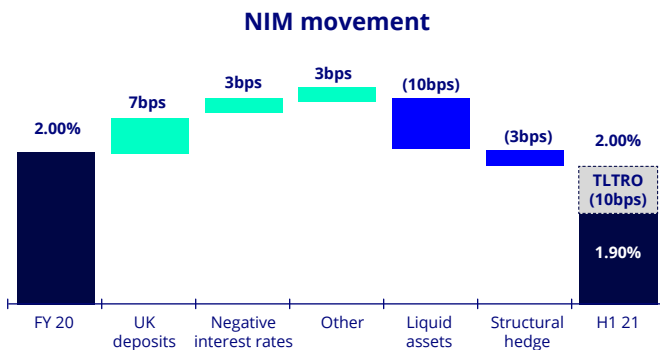
<sup>2</sup> Including Share of Associates and JVs

## Net interest income +2%

Bank of Ireland 2021 Interim Results – Debt Investor Presentation



- Pricing discipline maintained
  - Loan asset spread<sup>1</sup> 16bps higher H1 2021 vs H1 2020
- Application of negative interest rates on deposits and reduction in UK funding costs offsetting the impact of low rates on liquid assets and structural hedge
  - €30m generated from application of negative interest rates (€11m H1 2020)
  - €5.6bn increase in average deposit volumes attracting a negative rate
  - €50m reduction in UK deposit funding costs
  - Reflecting TLTRO participation and build-up of liquidity, liquid assets increased to 32% of AIEA (25% in H1 2020)
- TLTRO participation benefits net interest income, but mechanically lowers NIM

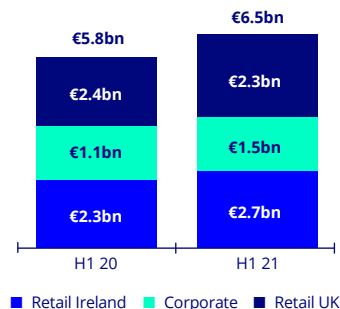


<sup>1</sup> Spread = Loan asset yield or Liquid asset yield less Group's average cost of funds

# New customer lending +12%<sup>1,2</sup>

Bank of Ireland 2021 Interim Results – Debt Investor Presentation

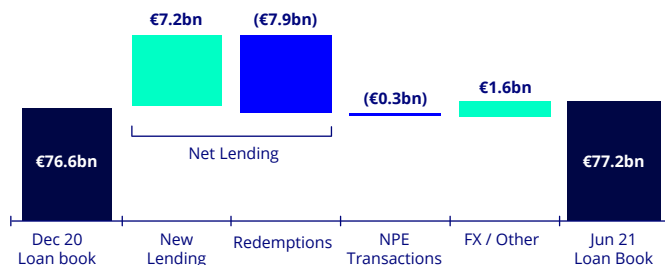
## New lending<sup>1</sup> by division



## Lending trends in H1 2021

- All divisions demonstrating solid recovery
  - Corporate new lending grew 38%
  - Retail Ireland 15% higher with growth across all portfolios
  - Retail UK new mortgage lending +4% with c.170% growth in new Bespoke drawdowns
- Excluding RCF usage, new lending increased to €6.5bn in H1 2021 vs €5.8bn in H1 2020
- Net lending growth of €0.4bn in Retail Ireland and Corporate
- UK deleveraging of €1.0bn in line with strategy with this trend expected to continue

## Group loan book movement



<sup>1</sup> Excluding Corporate revolving credit facilities of €1.3bn H1 2020 and €0.7bn H1 2021

<sup>2</sup> On a constant currency basis

## Business income<sup>1</sup> +8%

	H1 2020 (€m)	H1 2021 (€m)
Wealth and Insurance	100	105
Retail Ireland	103	101
Retail UK	2	(2)
Corporate and Markets	67	83
Group Centre and other	(6)	(5)
<b>Business Income</b>	<b>266</b>	<b>282</b>
Share of associates / JVs	(3)	1
<b>Total Business Income incl. JVs</b>	<b>263</b>	<b>283</b>
Additional Gains	2	2
Valuation and other items	(109)	34
<b>Other Income</b>	<b>156</b>	<b>319</b>

### Total other income +€163m vs H1 2020

- Wealth and Insurance increased 5% vs H1 2020 reflecting higher new business income and existing book income
- Retail Ireland reduced 2% as a result of lower card fee income
- Corporate and Markets income increased 24% with higher underwriting fee income and stable FX income
- JV income reflecting ongoing UK travel restrictions
- Valuation and other items provide contribution of €34m reflecting positive performance in derivative valuation adjustment, equity and bond markets
- Reopening to support increased activity and business income growth in H2 2021

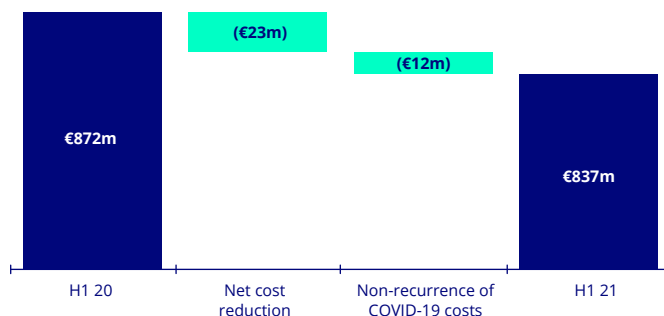
<sup>1</sup> Including Share of Associates and JVs



## Operating expenses -4%

Bank of Ireland 2021 Interim Results – Debt Investor Presentation

### Cost Movement



### €35m reduction in costs reflects

- Broad-based cost reduction while we continue to invest in our business
  - Staff costs -6%
  - Depreciation charge -14%
- Absorbed wage inflation and higher pension costs of €11m

### Non-core items

- €69m charge for severance, property, UK and other restructuring

### Transformation investment in H1 2021

- €149m split across
  - income statement (€21m / 14%)
  - balance sheet (€54m / 36%)
  - non-core items (€74m / 50%)

Non-core items	H1 2020 (€m)	H1 2021 (€m)
Cost of restructuring programme	(27)	(69)
Impairment on internally generated computer software	(136)	-
Customer redress charges	(7)	(5)
Investment return on treasury stock held for policyholders	17	(6)
Gross-up for policyholder tax position in Wealth and Insurance	(4)	15
Other	4	6
<b>Total non-core items</b>	<b>(153)</b>	<b>(59)</b>

# €1m impairment charge reflecting improved economic condition

Bank of Ireland 2021 Interim Results – Debt Investor Presentation

H1 2021

## IFRS 9 models macro-economic update

€9m

- Improved economic outlook resulting in a write-back of €163m
- €172m charge from model parameter updates primarily due to changes in residential mortgages LGD assumptions

## Group management adjustment

(€8m)

- Net release of €8m while maintaining €229m stock of management adjustments for H1 2021 for latent risk associated with COVID-19
- Requirement to hold will be assessed at FY 2021

## Loan loss experience and portfolio activity

(Net €0m)

- Muted loan loss experience in H1 2021
- Net zero charge reflects a small number of offsetting outcomes across loan portfolios

30 June 2021

2021

2022

2023-2025

### Central Scenario - 45% weighting

Irish GDP growth	4.7%	4.9%	3.0%
Irish Unemployment (unadjusted)	8.0%	7.4%	5.6%
Irish House Price Index	3.0%	2.0%	1.3%
Irish Commercial Real Estate	(5.5%)	(0.5%)	1.5%

- Macro-economic scenarios<sup>1</sup> have been upgraded to reflect improved outlook compared to Dec 2020
- Existing COVID-19 government supports expected to be phased out during H2 2021

2021  
Outlook



Subject to no material change in the economic conditions or outlook, we expect the H2 2021 impairment charge to be broadly similar to H1 2021 and supported by the current stock of ILAs of €2.1bn

<sup>1</sup> See page 52 for 2021-2025 macro-economic assumptions used in IFRS 9 models

## NPEs reduce to 5.5%

Bank of Ireland 2021 Interim Results – Debt Investor Presentation

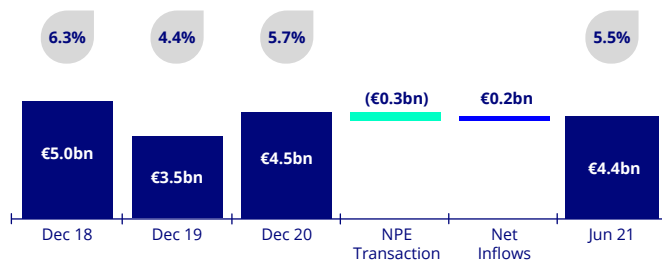
### Non-performing exposures

- NPEs reduced by €0.1bn to €4.4bn and NPE ratio decreased 20bps to 5.5%
- Irish residential mortgage NPE transaction successfully completed in H1 2021
- Government fiscal supports continue to be supportive
- Proven track record of working with customers to implement sustainable solutions

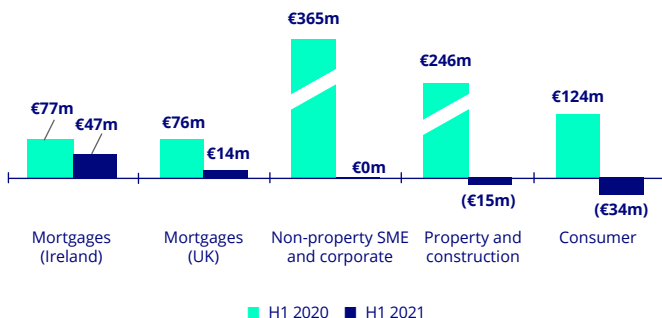
### Stock of ILA of €2.1bn

- Impairment coverage reduced slightly to 2.7%, remains significantly higher than pre-COVID (1.6% Dec 2019)
- Net impairment charge<sup>1</sup> €12m / 3bps (H1 2020: 222bps)
- ILA charge and increased impairment coverage on Irish residential mortgage portfolio relates to changes to LGD model parameters resulting in net increase of c.€135m including removal of Dec 2020 stage 3 management adjustment
- Group management adjustment of €0.2bn provides material coverage for further COVID-19 impairment

### NPE movements



### Net impairment charges (gains)

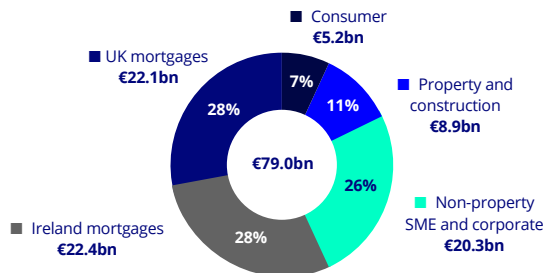


<sup>1</sup> Net impairment charge €12m on loans and advances to customers, net impairment gain on other financial instruments €11m, total net impairment charge €1m

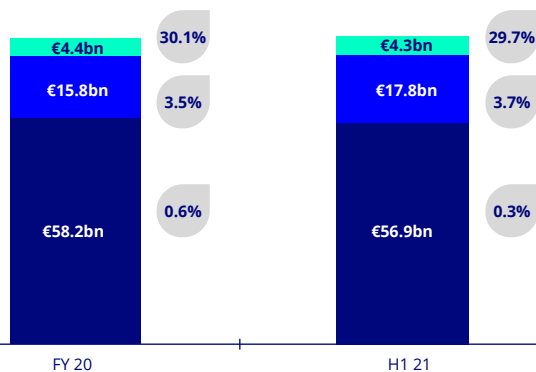
# Asset quality remains strong

Bank of Ireland 2021 Interim Results – Debt Investor Presentation

## Group loan book by portfolio



## Group loan book by stage



■ Stage 1 ■ Stage 2 ■ Stage 3<sup>1</sup> ● Stage ILA coverage %

## Diversified balance sheet with strong credit quality

- Mortgage portfolios 56% of Group loan book
- Non-property SME and corporate diversified by sector
- > 80% of the Group loan book is predominantly secured
- Geographic breakdown of book
  - Ireland €40.6bn / 51%
  - UK €32.3bn / 41%
  - Rest of the World €6.1bn / 8%
- Increase in stage 2 loans since Dec 2020 reflecting updated management adjustment assumptions; minimal ILA movement resulting from this movement
  - Ireland mortgages €1.3bn higher
  - UK mortgages €1.0bn higher
  - Ireland SME €0.6bn higher
- Improvements to FLI outlook supporting €1.0bn reduction in stage 2 corporate loans

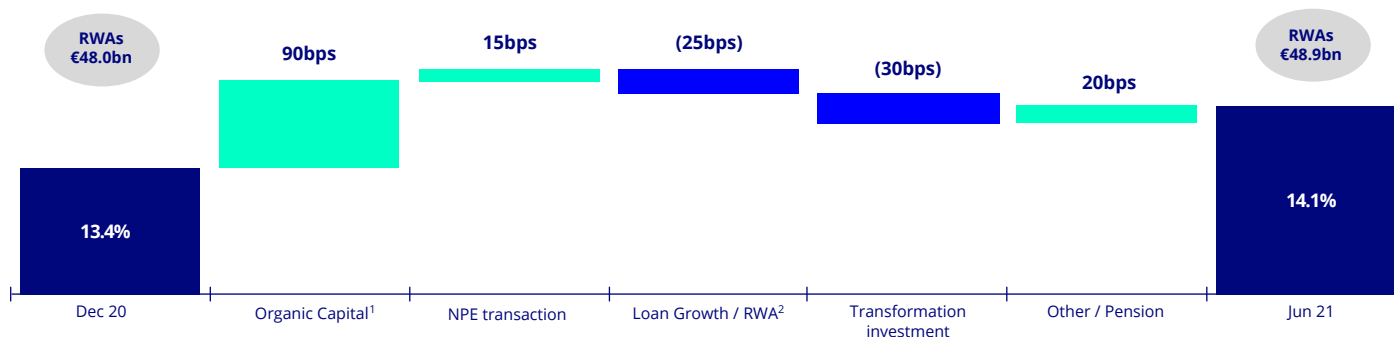
<sup>1</sup> Includes POCI

# Capital & MREL

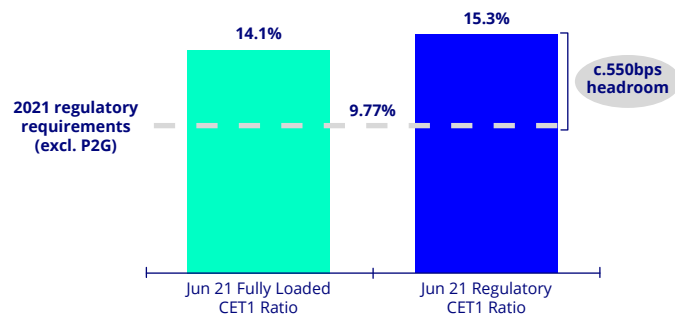
## Strong accretion in capital ratios

Bank of Ireland 2021 Interim Results – Debt Investor Presentation

### Fully Loaded CET1 ratio



### Headroom to 2021 CET1 regulatory capital requirements



### Strong capital position driven by organic capital generation

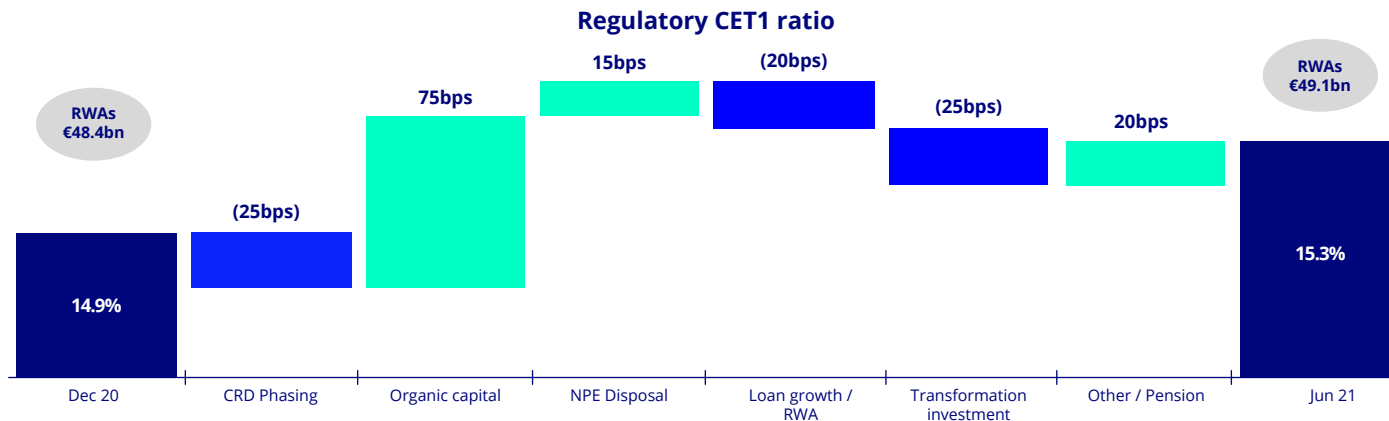
- Capital supported by growth in operating profit, a minimal impairment charge and NPE transaction
- Fully Loaded CET1 ratio grew by 70bps
- RWAs increased by €0.9bn, primarily from higher corporate lending
- RWA density on mortgage lending lower; total loan book density unchanged on mix effects

<sup>1</sup> Pre-impairment organic capital generation primarily consists of attributable profit excluding impairment and movements in regulatory deductions

<sup>2</sup> Loan growth / RWA movements from changes in loan book mix, asset quality and movements in other RWAs

## Regulatory Ratios

Bank of Ireland 2021 Interim Results – Debt Investor Presentation



Regulatory Capital Metrics	Dec 20	Jun 21
<b>CET1 Ratio</b>	14.9%	15.3%
<i>Tier 1 Items/ Instruments:</i>	2.0%	2.0%
<b>Tier 1 Ratio</b>	16.9%	17.3%
<i>Tier 2 Items/ Instruments:</i>	2.3%	3.2%
<b>Total Capital Ratio<sup>1</sup></b>	19.2%	20.5%
<b>Risk Weighted Assets</b>	€48.4bn	€49.1bn
<b>MREL Ratio</b>	24.6%	27.6%
<b>Leverage Ratio</b>	7.1%	6.5%

### CET1

- Movement in CET1 ratio broadly aligned with movement in fully loaded ratios

### Tier 1 & Total Capital

- No change in Tier 1 bucket during H1 2021
- Tier 2 bucket increased to 3.2% during H1 2021 supported by Green Tier 2

### MREL

- Senior debt issuance of c.€800m during H1 2021
- MREL ratio of 27.6% based on RWA at Jun 2021

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

## Balance Sheet

Bank of Ireland 2021 Interim Results – Debt Investor Presentation

	Dec 2020 (€bn)	Jun 2021 (€bn)
Customer loans	77	77
Liquid assets	31	46
Other assets	26	27
<b>Total assets</b>	<b>134</b>	<b>150</b>
Customer deposits	89	91
Wholesale funding	9	20
Shareholders' equity	9	9
Other liabilities	27	30
<b>Total liabilities</b>	<b>134</b>	<b>150</b>
TNAV per share	€7.32	€7.89
Closing EUR / GBP FX rates	0.90	0.86

	Dec 2019	Jun 2021
Liquidity Coverage Ratio	153%	177%
Net Stable Funding Ratio	138%	138%
Loan to Deposit Ratio	86%	85%

### Funding & Liquidity

- LDR reduced from 86% to 85% on foot of growth in customer deposits
- TLTRO III drawdowns of €10.8bn and growth in customer deposits primary drivers of c.€15bn increase in liquid assets
- LCR increased from 153% to 177% driven by increase in liquid assets
- NSFR stable at 138%

### Customer deposits: €90.6bn

- Net growth of €2bn principally due to higher Retail and SME volumes in Ireland offset by a decrease in UK and Corporate and Markets volumes

### Wholesale Funding: €20.4bn

- Increase of c.€11bn following TLTRO III participation
- Senior bond of €750m and Tier 2 issuance of €500m (both Green format) during 2021
- Capital and MREL requirements primary driver of new wholesale funding

### Tangible Net Asset Value

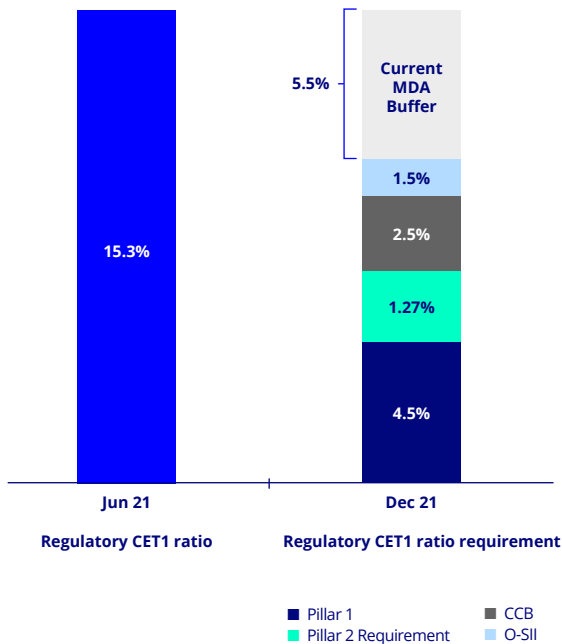
- TNAV increased to €7.89



# Meaningful buffer to potential MDA<sup>1</sup> restrictions

Bank of Ireland 2021 Interim Results – Debt Investor Presentation

## Regulatory CET1 ratio vs. MDA Threshold



- Regulatory CET1 ratio of 15.3% at Jun 2021
  - Continued phase-in of existing transitional adjustments expected to consume c.20-40bps per annum to 2025
  - End 2021 CET1 ratios expected to increase by c.30bps – 50bps above Jun 2021 levels
- O-SII buffer increased to 1.5% in Jul 2021
- Jun 2021 Regulatory CET1 ratio of 15.3% provides a buffer of c.5.5% to MDA threshold
- MREL-MDA in effect from Jan 2022

<sup>1</sup> The Maximum Distributable Amount is determined as a percentage of attributable profits earned in the period to which the buffer breach and MDA calculation pertains, and will vary depending on the extent of the breach of the CBR which is measured in quartiles (bottom quartile – 0%, second quartile – 20%, third quartile – 40% and top quartile – 60% of profits)

## Risk weighted assets (RWAs) / leverage ratio

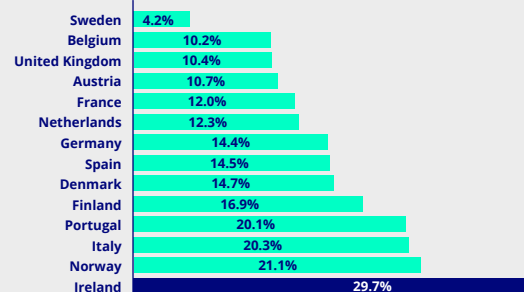
### Customer lending average credit risk weights – Jun 2021<sup>1,2</sup> (Based on regulatory exposure class)

	EAD <sup>3</sup> (€bn)	RWA (€bn)	Avg. Risk Weight
Ireland Mortgages	23.1	5.9	26%
UK Mortgages	22.7	4.5	20%
SME	17.4	11.9	69%
Corporate	11.5	11.5	100%
Other Retail	6.2	4.4	72%
<b>Customer lending credit risk</b>	<b>80.9</b>	<b>38.2</b>	<b>47%</b>

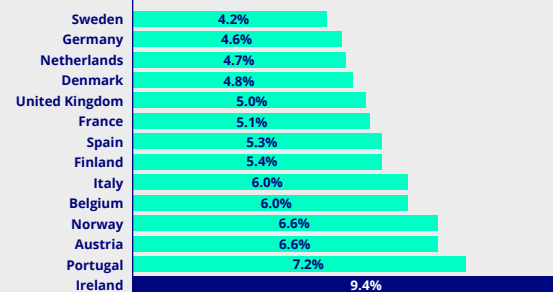
- IRB approach at Jun 2021 accounts for:
  - 59% of credit EAD (Dec 2020: 66%)
  - 72% of credit RWA (Dec 2020: 73%)
- Regulatory RWA has increased from €48.4bn at Dec 2020 to €49.1bn at Jun 2021. The increase primarily reflects growth in the Group's corporate banking loan portfolio.

### Bank of Ireland 2021 Interim Results – Debt Investor Presentation

#### EBA Transparency Exercise 2020 Country by Country Average IRB risk weights Residential Mortgages – Jun 2020



#### EBA Risk Dashboard Q2 2020 Country by Country Average Leverage ratio Regulatory Leverage Ratio – Jun 2020



<sup>1</sup> EAD and RWA include both IRB and Standardised approaches and comprise 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 2019)

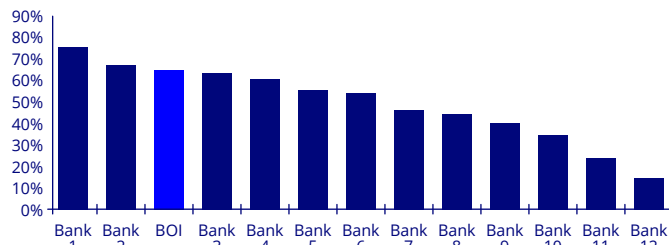
<sup>3</sup> Exposure at default (EAD) is a regulatory estimate of credit risk exposure consisting of both on balance exposures and off balance sheet commitments

# EBA Transparency Exercise 2020<sup>1</sup>

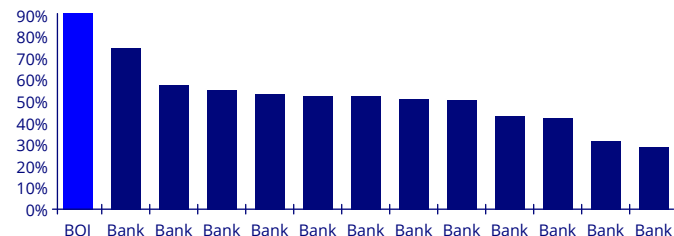
Bank of Ireland 2021 Interim Results – Debt Investor Presentation

Bank of Ireland's IRB RWA density across major loan portfolios exceeds a wide distribution of European peers

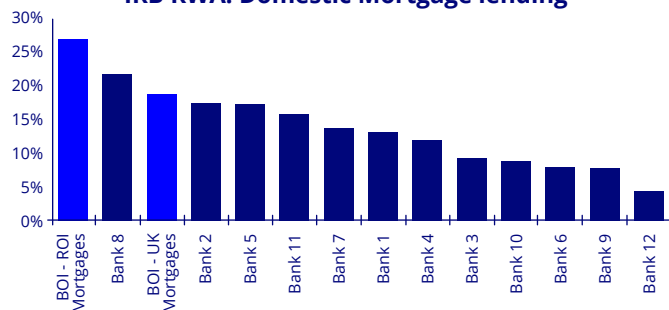
IRB Lending: SME<sup>2</sup>



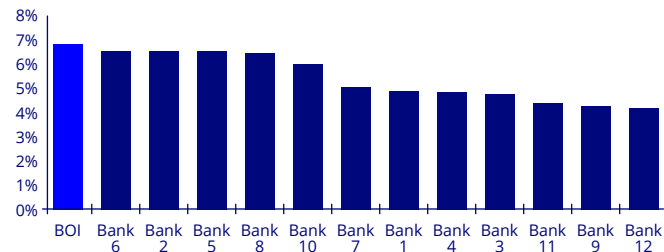
IRB RWA: Corporate<sup>3</sup>



IRB RWA: Domestic Mortgage lending<sup>4</sup>



Leverage Ratio (Regulatory Basis)<sup>5</sup>



<sup>1</sup> Charts represent 30 June 2020 figures published by the EBA for ABN AMRO, Banco Comercial Português, Groupe BPCE, CaixaBank, Commerzbank, Danske Bank, DNB Bank, Erste Group, Svenska Handelsbanken, Intesa Sanpaolo, KBC Group, Lloyds Banking Group

<sup>2</sup> Credit Risk IRB Approach Risk Exposure Amount divided by Exposure Value for "Corporates – Of Which SME" at 30 June 2020

<sup>3</sup> Credit Risk IRB Approach Risk Exposure Amount divided by Exposure Value for "Corporates – Excluding SME & Specialised Lending" at 30 June 2020

<sup>4</sup> Credit Risk IRB Approach Risk Exposure Amount divided by Exposure Value for "Retail – Secured on Real Estate Property" at 30 June 2020

<sup>5</sup> "Leverage Ratio – Using a transitional definition of Tier 1 Capital" at 30 June 2020

## Regulatory capital requirements

Bank of Ireland 2021 Interim Results – Debt Investor Presentation

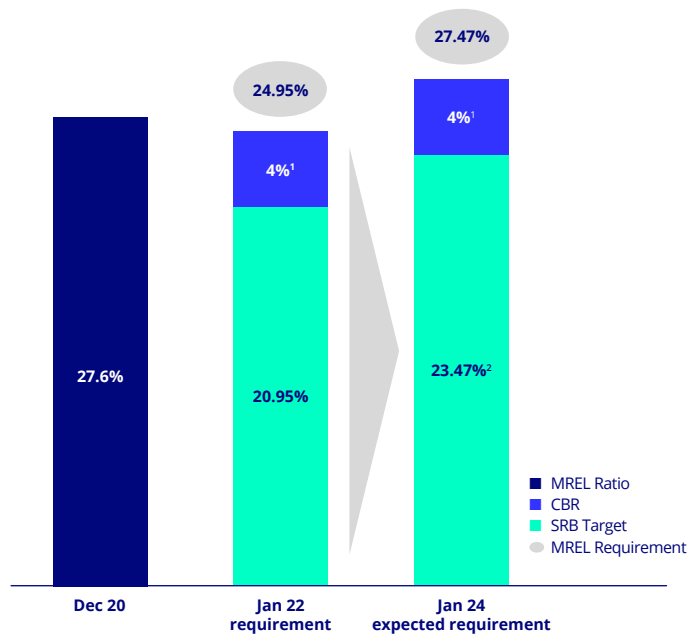
Pro forma CET1 Regulatory Capital Requirements	2020	2021	2022
Pillar 1 – CET1	4.50%	<b>4.50%</b>	4.50%
Pillar 2 Requirement (P2R)	1.27%	<b>1.27%</b>	1.27%
Capital Conservation Buffer (CCB)	2.50%	<b>2.50%</b>	2.50%
Ireland Countercyclical buffer (CCyB)	0.00%	<b>0.00%</b>	0.00%
UK Countercyclical buffer (CCyB)	0.00%	<b>0.00%</b>	0.00%
O-SII Buffer ( <i>phase in July each year</i> )	1.00%	<b>1.50%</b>	1.50%
Systemic Risk Buffer – Ireland	–	–	–
<b>Pro forma Minimum CET1 Regulatory Requirements</b>	<b>9.27%</b>	<b>9.77%</b>	<b>9.77%</b>
<b>Pillar 2 Guidance (P2G)</b>	<b>Not disclosed in line with regulatory preference</b>		

### Regulatory Capital Requirements

- The Group is required to maintain a CET 1 ratio of 9.27% on a regulatory basis at 30 June 2021, increasing to 9.77% from 1 July 2021 (excluding P2G).
- CET1 headroom of c.550bps to Dec 2021 regulatory capital requirements of 9.77%
- Regulatory total capital ratio of 20.5% at Jun 2021 provides headroom of c.625bps above 2021 total capital requirement of 14.25%

## MREL Requirement

Bank of Ireland 2021 Interim Results – Debt Investor Presentation



- Jun 21 MREL ratio of 27.6% (10.4% on a leverage basis)
- Interim binding MREL requirements, to be met by 1 Jan 2022, of 24.95% on an RWA basis and 7.59% on a leverage basis.
- MREL RWA requirement consists of a Single Resolution Board (SRB) target of 20.95% (based on the Group's capital requirements as at 30 Jun 2020) and Group's expected Combined Buffer Requirement (CBR) of 4% on 1 Jan 2022 (comprising the Capital Conservation Buffer of 2.5% and an O-SII buffer of 1.5%)
- 2024 MREL requirement is expected to increase to c.28% (based on expected Dec 2021 regulatory capital requirements) as the SRB target is updated to reflect the phase-in of the O-SII buffer and the phase-out of MREL adjustments
- MREL eligible senior debt issuance of c.€1bn-€2bn p.a. anticipated

<sup>1</sup> Expected CBR of 4% on 1 Jan 2022 comprising CCB of 2.5% and OSII of 1.5%

<sup>2</sup> Expected Jan 2024 SRB Target of 23.47% assumes the MCC adjustment of 0.94% is reduced to 0.31% at Jan 2024 before reducing to 0% by Jan 2025

# Credit Ratings

Bank of Ireland 2021 Interim Results – Debt Investor Presentation



## Instrument Ratings

	Moody's			FitchRatings		S&P Global	
	BOIG	GovCo	BOIMB (ACS) <sup>3</sup>	BOIG	GovCo	BOIG	GovCo
Investment Grade	Aaa	Aaa	Aaa <sup>C</sup>	AAA	AAA	AAA	AAA
	Aa1	Aa1	Aa1	AA+	AA+	AA+	AA+
	Aa2	Aa2	Aa2	AA	AA	AA	AA
	Aa3	Aa3	Aa3	AA-	AA-	AA-	AA-
	A1	A1	A1	A+	A+	A+	A+
	A2	A2 <sup>S</sup>	A2	A	A	A	A
	A3	A3	A3	A-	A-	A-	A- <sup>S</sup>
	Baa1 <sup>S</sup>	Baa1	Baa1	BBB+	BBB+ <sup>S</sup>	BBB+	BBB+
	Baa2	Baa2	Baa2	BBB <sup>S</sup>	BBB	BBB	BBB
	Baa3 <sup>T2</sup>	Baa3	Baa3	BBB-	BBB-	BBB- <sup>S</sup>	BBB-
Sub Investment Grade	Ba1	Ba1	Ba1	BB+ <sup>T2</sup>	BB+ <sup>T2</sup>	BB+	BB+ <sup>T2</sup>
	Ba2 <sup>AT1</sup>	Ba2	Ba2	BB	BB	BB <sup>T2</sup>	BB
	Ba3	Ba3	Ba3	BB- <sup>AT1</sup>	BB-	BB-	BB-
	B1	B1	B1	B+	B+	B+	B+
	B2	B2	B2	B	B	B <sup>AT1</sup>	B
	B3	B3	B3	B-	B-	B-	B-
	(...)	(...)	(...)	(...)	(...)	(...)	(...)
	<sup>C</sup> Covered bond	<sup>S</sup> Senior unsecured	<sup>T2</sup> Tier 2	<sup>AT1</sup> Additional Tier 1			

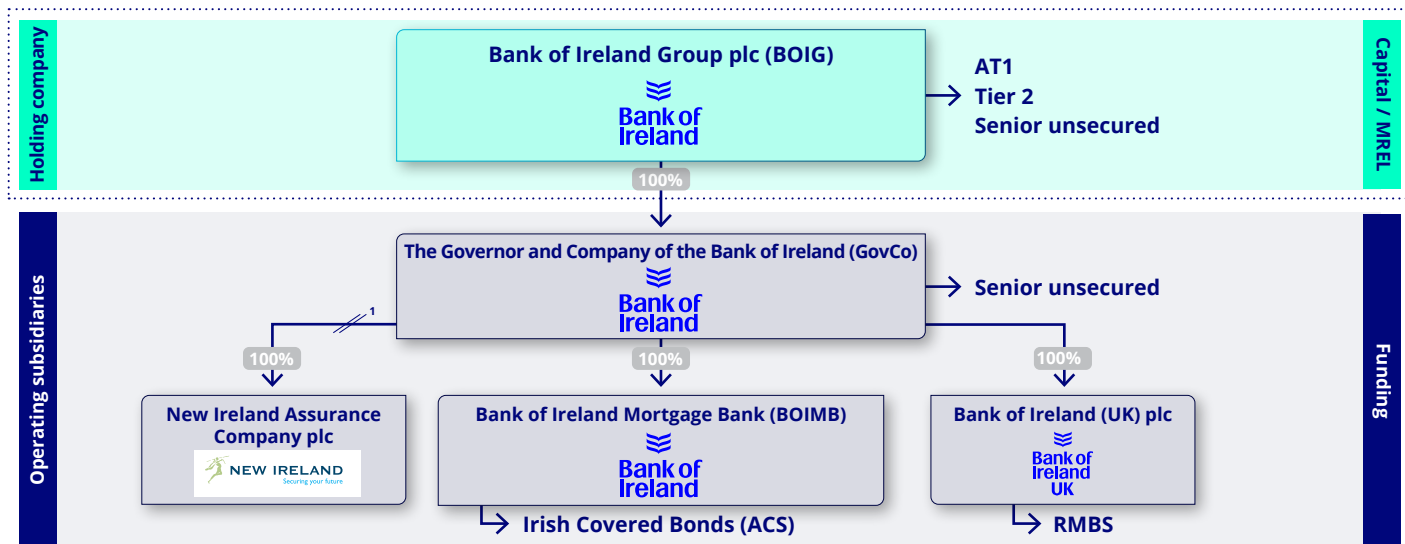
<sup>1</sup> BOIG entity rating = Baa1

<sup>2</sup> BOIG entity rating = BBB-

<sup>3</sup> BOIMB is the Group's issuer of Irish Covered Bonds (ACS). Moody's has not assigned an issuer rating to BOIMB

# Corporate Structure

Bank of Ireland 2021 Interim Results – Debt Investor Presentation



- 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
  - In 2017 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 loss 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, Residential Mortgage Backed Securities (RMBS) by Bank of Ireland (UK) plc 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, as amended

## Summary highlights

Bank of Ireland 2021 Interim Results – Debt Investor Presentation

### Capital

- Continued pre-impairment organic capital generation; Strong capital position with fully loaded CET1 ratio of 14.1%, regulatory CET1 ratio 15.3%
- Capital structure optimised following Tier 2 issue

### RWA

- IRB RWA density across largest customer loan portfolios exceeds a wide distribution of European peers
- RWA Density offers potential mitigation against future implementation of Basel IV

### MREL

- MREL Ratio of 27.6% at Jun 2021
- Jan 2022 interim target of 24.95%; Jan 2024 target of c.28%
- MREL eligible senior debt issuance of c.€1bn-€2bn p.a. anticipated; Green bonds will continue to form part of capital and MREL issuance

### Economy

- Irish economic sentiment rebounds as economy reopens; housing market sentiment particularly strong
- Ireland vaccination rollout amongst the most successful in EU. c.85% of adults have received at least one dose, with c.70% now fully vaccinated

### Asset Quality

- 99% of payment breaks now concluded with minimal impact on asset quality
- Proven track record of working with customers to implement sustainable solutions; significantly below industry average for arrears management



# Green Bond Framework

# Green Bond Framework

Bank of Ireland 2021 Interim Results – Debt Investor Presentation

Green Bonds are an important part of the Group's Responsible and Sustainable Business Strategy as we look to finance our customers' transition to the low carbon economy and take an active role in combating climate change through sustainable finance

## Key Features

- Aligned to the Green Bond Principles published by ICMA in 2018
- Second Party Opinion provided by Sustainalytics
- The Group will allocate an equivalent amount of the net proceeds to lending to eligible Green assets
- The Framework caters for secured, senior and subordinated issuance
- A 'lookback' period of 36 months has been applied to the Green Eligible Assets Portfolio

## ESG Ratings



ESG Risk rating 20.3 (Medium Risk). Places the Group in the 17th percentile of Banks (Industry Group)



BB (average)



B (management level)



44

## Green Bond Framework Pillars

1

### Use of Proceeds

- An amount equivalent to net proceeds will be allocated to finance/refinance:
  - Green Buildings & Energy Efficiency
  - Renewable Energy
  - Clean Transportation

2

### Project Evaluation and Selection Criteria

- Green Bond Working Group is responsible for the evaluation and selection of assets for inclusion in the Green Eligible Assets Portfolio
- The portfolio is reviewed on a quarterly basis with loans no longer meeting eligibility criteria being removed

3

### Management of Proceeds

- Net proceeds will be managed on a portfolio basis
- The Group will ensure that the balance of the Green Eligible Assets Portfolio matches or exceeds the total balance of Green bonds outstanding

4

### Reporting & External Review

- Allocation Report – will be published alongside external verification provided by an independent accredited provider
- Impact Report – the Group intends to provide investors with an impact report on the assets within the Green Eligible Assets Portfolio

# Use of Proceeds

Bank of Ireland 2021 Interim Results – Debt Investor Presentation

## Green Bond Principles Eligible Category

### Eligibility Criteria

### Impact

### UN SDG

#### Green Buildings & Energy Efficiency – Residential

- Residential property with an energy efficiency rating within the Top 15% in Ireland, equivalent to BER of 'B3' or better
- Residential property with a date of construction of 2015 or later
- New buildings where the net primary energy demand of the new construction is at least 20% lower than the primary energy demand resulting from the relevant NZEB requirements; and/or:
- Renovations to residential property achieving savings in net Primary Energy Demand of 30%

Annual energy efficiency improvements, MWh

tCO2e avoided



#### Green Buildings & Energy Efficiency – Commercial

- Commercial property in Ireland, UK and US holding a BREEAM 'Outstanding' or 'Excellent' or LEED 'Platinum' or 'Gold' Certification
- Net primary energy demand of the new construction is a Commercial property belonging to the top 15% of buildings in Ireland and UK, in terms of energy efficiency\*
- New commercial property where at least 20% lower than the primary energy demand resulting from the relevant NZEB requirements, and/or:
- Renovations to commercial property where the renovation achieves savings in net Primary Energy Demand of at least 30%

Annual energy efficiency improvements, MWh

tCO2e avoided



#### Renewable Energy

- Renewable energy generation facilities including onshore and offshore wind, solar and geothermal

Renewable energy capacity added, MW  
tCO2e avoided



#### Clean Transportation

- Financing of the purchase, manufacture and operation of Battery Electric Vehicles and electrically-powered public transport systems, and the infrastructure that supports clean transportation

tCO2e avoided



\*As determined by reference to established energy performance benchmarks. Bank of Ireland anticipates drawing on the most current dataset available at the time of the allocation process (including datasets compiled by any retained technical consultants). As average building energy efficiencies and related datasets improve, relevant benchmarks and determinations involving proxies (e.g. Building Energy Ratings) will be updated accordingly.

# Outlook

## Looking forward

Bank of Ireland 2021 Interim Results – Debt Investor Presentation

### Growth opportunities

- Strong growth opportunities in all our markets as economies recover from COVID-19
- Changing market dynamics in our Irish franchise offer further opportunities to sustainably grow our businesses
- UK business turnaround, with a smaller more profitable business model, will continue to accrete value

### Inorganic opportunities

- KBC and Davy acquisitions<sup>1</sup> will further our ambition to be the National Champion Bank in Ireland
- The Group has sufficient capital to execute both of these transactions which are expected to be RoTE accretive

### State sell-down

- Irish Government decision to reduce its 14% ownership is an important milestone in further normalising its relationship with the Group
- Bank of Ireland will be the first Irish bank to fully return to private ownership

### Medium term targets

- Medium term targets to be refreshed at strategy update; timing subject to proposed Davy and KBC transactions<sup>1</sup>, expected in 2022

<sup>1</sup> Subject to regulatory and competition authority approvals

## Updating guidance for improved 2021 outlook

Bank of Ireland 2021 Interim Results – Debt Investor Presentation

### Profitability

- H2 2021 total income expected to be c.5% higher vs H1 2021 reflecting
  - Higher net interest income<sup>1</sup>
  - Higher business income
  - Valuation items broadly unchanged vs H1 2021
- Costs will continue to reduce
  - 2021 costs <€1.65bn
  - 2023 costs of €1.5bn

### Asset Quality

- Subject to no material change in the economic conditions or outlook, we expect the H2 2021 impairment charge to be broadly similar to H1 2021 and supported by the current stock of ILAs of €2.1bn

### Capital

- End 2021 CET1 ratios expected to increase by c.30bps – 50bps above Jun 2021 levels
- Additional balance sheet optimisation initiatives being progressed during H2 2021
- Group has sufficient capital resources available to support execution of proposed inorganic opportunities
- Distributions to recommence on a prudent and progressive basis based on performance and capital outlook

<sup>1</sup> Including c.€50m potential income benefit from TLTRO III if second benchmark achieved in Dec 2021

# Appendix

## Appendix

### Bank of Ireland 2021 Interim Results – Debt Investor Presentation

	<b>Page No.</b>
• BOI overview - customer loans / new lending volumes	41
• Ireland mortgage loan book	42
• Income statement	
– Net interest income analysis	43
– Structural hedge, liquid assets and negative interest rates	44
– Interest rate sensitivity	45
• Asset quality	
– Payment breaks	46
– Non-performing exposures by portfolio	47
– Portfolio by stage	48
– Non-property SME and corporate by stage	49
– Residential mortgages & consumer loans	50
– Non-property SME and corporate & property and construction	51
– Forward looking information - macro-economic scenarios	52
– ILA sensitivity to macro-economic scenarios	53
– Ireland mortgages	54
• Ordinary shareholders' equity and TNAV	55
• Capital	
– CET1 ratios	56
• Transformation investment / operating expenses	57
• Cost income ratio: Jun 2021	58
• Return on tangible equity	59
• Defined benefit pension schemes	60
• Forward looking statement	61
• Contact details	62



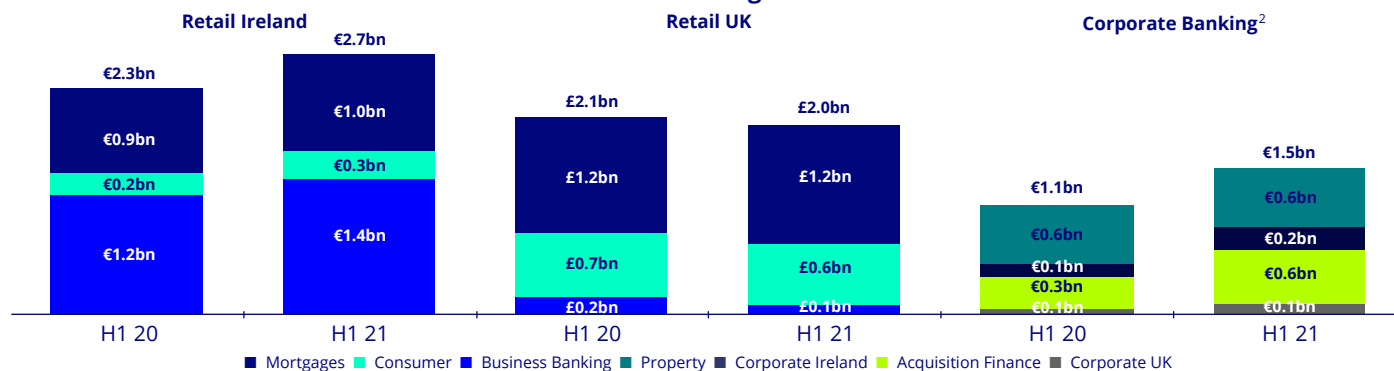
# Overview of customer loans

Bank of Ireland 2021 Interim Results – Debt Investor Presentation

## Profile of customer loans<sup>1</sup> at Jun 2021 (Gross)

Composition (Jun 21)	Ireland (€bn)	UK (€bn)	RoW (€bn)	Total (€bn)	Total (%)
<b>Mortgages</b>	<b>22.5</b>	<b>22.0</b>	<b>0.0</b>	<b>44.5</b>	<b>56%</b>
<b>Non-property SME and corporate</b>	<b>10.3</b>	<b>5.2</b>	<b>4.8</b>	<b>20.3</b>	<b>26%</b>
<i>SME</i>	7.0	1.8	0.0	8.8	11%
<i>Corporate</i>	3.3	3.4	4.8	11.5	15%
<b>Property and construction</b>	<b>5.8</b>	<b>1.9</b>	<b>1.3</b>	<b>8.9</b>	<b>11%</b>
<i>Investment</i>	4.9	1.7	1.3	7.9	10%
<i>Development</i>	0.9	0.2	0.0	1.1	1%
<b>Consumer</b>	<b>2.0</b>	<b>3.2</b>	<b>0.0</b>	<b>5.2</b>	<b>7%</b>
<b>Customer loans (gross)</b>	<b>40.6</b>	<b>32.3</b>	<b>6.1</b>	<b>79.0</b>	<b>100%</b>
<b>Geographic (%)</b>	51%	41%	8%	100%	

## Gross new lending volumes



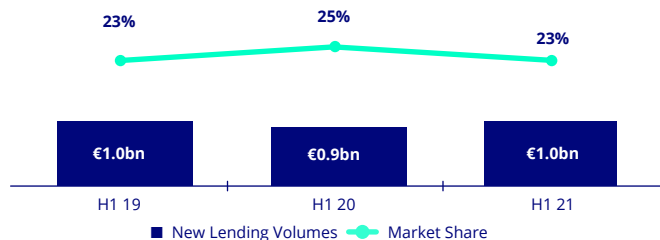
<sup>1</sup> Based on geographic location of customer

<sup>2</sup> Excluding Corporate revolving credit facilities

## Ireland mortgages: €22.4bn

Bank of Ireland 2021 Interim Results – Debt Investor 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.95% of our new lending in H1 2021, up from c.30% in 2014

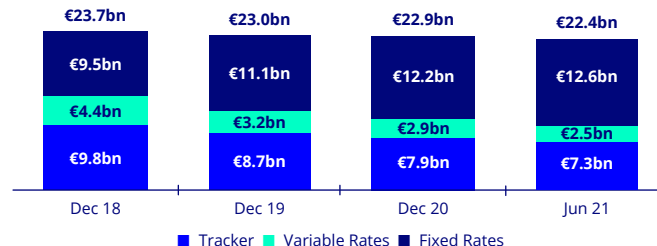
### Distribution strategy – continued expansion into broker channel

- The Group has continued building out the broker channel expansion in 2021, establishing a large network of active brokers at a national level

### Wider proposition

- 6 in 10 Ireland customers who take out a new mortgage take out a life assurance policy through the Bank of Ireland Group
- 4.5 in 10 Ireland customers who take out a new mortgage take out a general insurance policy through the Bank of Ireland Group with insurance partners

### Ireland mortgages (gross)



### LTV profile

- Average LTV of 58% on mortgage stock at Jun 2021 (Dec 2020: 60%)
- Average LTV of 74% on new mortgages in Jun 2021 (Dec 2020: 75%)

### Tracker mortgages

- €7.0bn or 96% of trackers at Jun 2021 are on a capital and interest repayment basis
- 82% of trackers are Owner Occupier mortgages; 18% of trackers are Buy-to-Let mortgages
- Loan asset spread on ECB tracker mortgages was c.100bps<sup>1</sup> in H1 2021

<sup>1</sup> Average customer pay rate of 112bps less Group average cost of funds of 12bps

# Income statement

Bank of Ireland 2021 Interim Results – Debt Investor Presentation

## Net interest income analysis

	H2 2019			H1 2020			H2 2020			H1 2021		
	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	33.7	583	3.43%	33.4	561	3.38%	33.0	546	3.29%	32.8	537	3.30%
UK Loans	28.0	393	2.79%	28.5	371	2.62%	27.1	349	2.56%	27.8	350	2.54%
C&T	16.8	312	3.69%	17.4	309	3.57%	16.9	292	3.44%	17.5	296	3.41%
<b>Total Loans and Advances to Customers</b>	<b>78.5</b>	<b>1,288</b>	<b>3.26%</b>	<b>79.3</b>	<b>1,241</b>	<b>3.15%</b>	<b>77.0</b>	<b>1,187</b>	<b>3.07%</b>	<b>78.1</b>	<b>1,183</b>	<b>3.05%</b>
Liquid Assets	23.9	30	0.25%	26.6	16	0.12%	28.7	(5)	(0.03%)	36.8	(39)	(0.21%)
NAMA Sub Debt	0.1	2	5.26%	0.0	1	5.22%	0.0	(-)	0.00%	-	-	-
<b>Total Liquid Assets</b>	<b>24.0</b>	<b>32</b>	<b>0.27%</b>	<b>26.6</b>	<b>17</b>	<b>0.13%</b>	<b>28.7</b>	<b>(5)</b>	<b>(0.03%)</b>	<b>36.8</b>	<b>(39)</b>	<b>(0.21%)</b>
<b>Total Interest Earning Assets</b>	<b>102.5</b>	<b>1,320</b>	<b>2.56%</b>	<b>105.9</b>	<b>1,258</b>	<b>2.36%</b>	<b>105.6</b>	<b>1,183</b>	<b>2.22%</b>	<b>114.9</b>	<b>1,144</b>	<b>2.01%</b>
Ireland Deposits	21.0	(5)	(0.05%)	21.3	(2)	(0.02%)	21.6	(-)	(0.00%)	22.2	6	0.05%
Credit Balances <sup>1</sup>	36.6	6	0.03%	39.6	8	0.04%	43.8	12	0.06%	47.1	18	0.08%
UK Deposits	18.6	(103)	(1.09%)	18.7	(90)	(0.97%)	16.5	(60)	(0.72%)	15.5	(40)	(0.52%)
C&T Deposits	5.0	(9)	(0.34%)	4.7	(4)	(0.16%)	4.2	2	0.09%	3.8	4	0.20%
<b>Total Deposits</b>	<b>81.2</b>	<b>(111)</b>	<b>(0.27%)</b>	<b>84.2</b>	<b>(88)</b>	<b>(0.21%)</b>	<b>86.1</b>	<b>(46)</b>	<b>(0.11%)</b>	<b>88.7</b>	<b>(12)</b>	<b>(0.03%)</b>
Wholesale Funding <sup>2</sup>	9.9	(62)	(1.24%)	9.7	(55)	(1.13%)	9.1	(36)	(0.78%)	14.6	(12)	(0.17%)
Subordinated Liabilities	1.5	(41)	(5.44%)	1.5	(34)	(4.61%)	1.4	(28)	(4.02%)	1.5	(30)	(3.95%)
<b>Total Interest Bearing Liabilities</b>	<b>92.6</b>	<b>(214)</b>	<b>(0.46%)</b>	<b>95.4</b>	<b>(177)</b>	<b>(0.37%)</b>	<b>96.6</b>	<b>(110)</b>	<b>(0.23%)</b>	<b>104.9</b>	<b>(55)</b>	<b>(0.11%)</b>
Other <sup>3</sup>		(18)			(18)			(20)			(9)	
<b>Net Interest Margin as reported</b>	<b>102.5</b>	<b>1,088</b>	<b>2.11%</b>	<b>105.9</b>	<b>1,063</b>	<b>2.02%</b>	<b>105.6</b>	<b>1,052</b>	<b>1.98%</b>	<b>114.9</b>	<b>1,080</b>	<b>1.90%</b>
Average ECB Base rate			0.00%			0.00%			0.00%			0.00%
Average 3 month Euribor			(0.40%)			(0.31%)			(0.50%)			(0.54%)
Average BOE Base rate			0.75%			0.36%			0.10%			0.10%
Average 3 month LIBOR			0.78%			0.35%			0.06%			0.07%

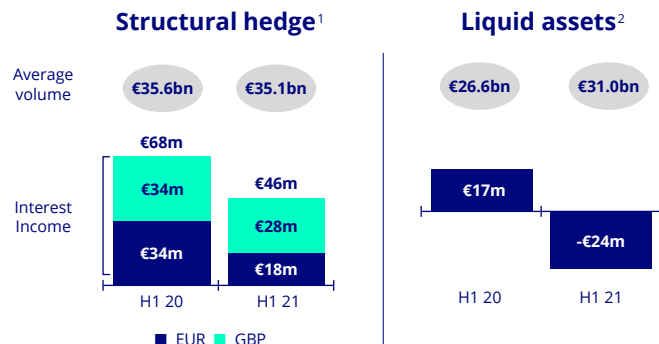
<sup>1</sup> Credit balances in H1 2021: ROI €37bn, UK €4.6bn, C&T €5.5bn

<sup>2</sup> Includes impact of credit risk transfer transactions executed in Dec 2016, Nov 2017 and Dec 2019

<sup>3</sup> Includes IFRS 16 lease expense, interest on certain FVPTL items and adjustments that are of a non-recurring nature such as customer termination fees

# Structural hedge, liquid assets and negative interest rates

Bank of Ireland 2021 Interim Results – Debt Investor Presentation



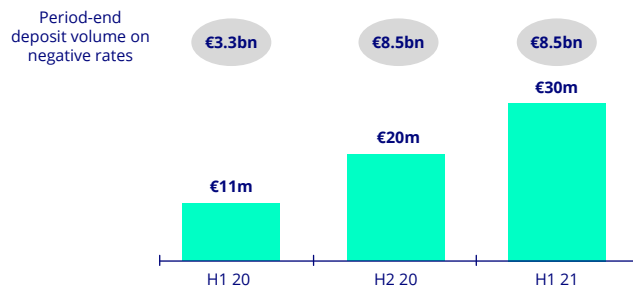
## Structural hedge & liquid assets

- Interest income from structural hedge and liquid assets reducing as a result of the negative interest rate environment
  - Average structural hedge yield fell from c.38bps to c.26bps between H1 2020 and H1 2021
  - The decline in liquid asset income arises primarily from
    - i) a reduction in average 3 month Euribor rate (c.20bps) and
    - ii) higher ECB balances (c. €3.5bn)

## Negative interest rates

- As a mitigant to the impacts of the negative interest rate environment above, the application of negative interest rates to non-personal customers was expanded further during 2021
  - Volume of customer deposits on negative rates was €8.5bn at Jun 2021 reflecting some volume attrition.
- The threshold for the application of negative rates will be reduced for non-personal customers from €2.5m to €1m during Q3 2021 with further expansion to high net worth personal customers with balances >€1m during Q4 2021
- The Group expects c.€15bn of customer deposits will attract a negative rate by Dec 2021

## Application of negative interest rates delivering reduction in funding costs



<sup>1</sup> Gross interest income from fixed leg of hedging swap

<sup>2</sup> Excludes any impact from TLTRO on liquid assets

## Interest rate sensitivity

Bank of Ireland 2021 Interim Results – Debt Investor 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 20 (€m)	Jun 21 (€m)
100bps higher	c.220	c.260
100bps lower	(c.220)	(c.240)

The above sensitivities are based on certain simplifying assumptions such as:

- the assumption of a static balance sheet by size and composition;
- assets and liabilities whose pricing is mechanically linked to market / central bank rates are assumed to reprice accordingly; and
- the sensitivities should not be considered a forecast of future performance in these rate scenarios as they do not capture potential management action in response to unexpected changes in the interest rate environment

## Payment breaks

Bank of Ireland 2021 Interim Results – Debt Investor Presentation

Overview of total payment breaks granted and remaining outstanding as at 30 June 2021

Ireland	Total payment breaks granted	Total payment breaks exposure	Payment breaks active	Payment breaks exposure active	% returned to pre-COVID-19 terms	% of payment breaks active	% with approved additional measures
Mortgages	18k	€2.7bn	0.0k	€0m	95%	0%	5%
Consumer	7k	€0.1bn	0.0k	€0m	94%	0%	6%
SME <sup>1</sup>	11k	€2.6bn	0.0k	€0m	86%	0%	14%
<b>Total</b>	<b>36k</b>	<b>€5.4bn</b>	<b>0.0k</b>	<b>€0m</b>	<b>92%</b>	<b>0%</b>	<b>8%</b>

UK	Total payment breaks granted	Total payment breaks exposure	Payment breaks active	Payment breaks exposure active	% returned to pre-COVID-19 terms	% of payment breaks active	% with approved additional measures
Mortgages	21k	€3.2bn	0.2k	€26m	98%	1%	1%
Consumer	28k	€0.4bn	0.3k	€4m	95%	1%	4%
SME <sup>1</sup>	5k	€0.3bn	0.0k	€1m	97%	0%	3%
<b>Total</b>	<b>54k</b>	<b>€3.9bn</b>	<b>0.5k</b>	<b>€31m</b>	<b>97%</b>	<b>1%</b>	<b>2%</b>

- 99.5% of initial 3 month payment breaks to personal and business customers in Ireland and UK have now expired
- c.0.5k / 0.5% of payment breaks remain in place, primarily relating to UK loans
- Of c.90k payment break cases granted, c.5% have had further forbearance measures approved

<sup>1</sup> Includes retail business banking property exposures

## Non-performing exposures by portfolio

Bank of Ireland 2021 Interim Results – Debt Investor Presentation

Composition (Jun 21)	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>44.5</b>	<b>2.0</b>	<b>4.4%</b>	<b>0.5</b>	<b>27%</b>
– Republic of Ireland	22.5	1.2	5.3%	0.4	35%
– UK	22.0	0.8	3.5%	0.1	14%
<b>Non-property SME and corporate</b>	<b>20.3</b>	<b>1.2</b>	<b>5.8%</b>	<b>0.9</b>	<b>73%</b>
– Republic of Ireland SME	7.0	0.7	9.8%	0.5	71%
– UK SME	1.8	0.1	6.6%	0.1	63%
– Corporate	11.5	0.4	3.3%	0.3	79%
<b>Property and construction</b>	<b>8.9</b>	<b>1.1</b>	<b>12.5%</b>	<b>0.6</b>	<b>50%</b>
– Investment	7.9	1.1	13.8%	0.5	49%
– Development	1.1	0.0	3.4%	0.0	76%
<b>Consumer</b>	<b>5.2</b>	<b>0.1</b>	<b>2.6%</b>	<b>0.2</b>	<b>142%</b>
<b>Total loans and advances to customers</b>	<b>79.0</b>	<b>4.4</b>	<b>5.6%</b>	<b>2.1</b>	<b>49%</b>

Composition (Dec 20)	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>44.8</b>	<b>2.2</b>	<b>4.9%</b>	<b>0.5</b>	<b>21%</b>
– Republic of Ireland	23.0	1.5	6.6%	0.4	25%
– UK	21.8	0.7	3.2%	0.1	12%
<b>Non-property SME and corporate</b>	<b>19.9</b>	<b>1.1</b>	<b>5.5%</b>	<b>0.9</b>	<b>85%</b>
– Republic of Ireland SME	7.1	0.7	9.7%	0.5	72%
– UK SME	1.7	0.1	7.1%	0.1	58%
– Corporate	11.0	0.3	2.5%	0.4	128%
<b>Property and construction</b>	<b>8.5</b>	<b>1.1</b>	<b>12.9%</b>	<b>0.6</b>	<b>54%</b>
– Investment	7.6	1.1	13.9%	0.6	52%
– Development	0.9	0.0	4.0%	0.0	113%
<b>Consumer</b>	<b>5.3</b>	<b>0.1</b>	<b>2.8%</b>	<b>0.2</b>	<b>160%</b>
<b>Total loans and advances to customers</b>	<b>78.4</b>	<b>4.5</b>	<b>5.8%</b>	<b>2.2</b>	<b>49%</b>

## Portfolio by stage

Bank of Ireland 2021 Interim Results – Debt Investor Presentation

Composition (Jun 21)	Gross carrying amount (before impairment loss allowance)					Impairment loss allowance					ILA % of gross loans
	Stage 1 €m	Stage 2 €m	Stage 3 €m	POCI €m	Total €m	Stage 1 €m	Stage 2 €m	Stage 3 €m	POCI €m	Total €m	
<b>Sectoral analysis by stage</b>											
<b>Residential Mortgages</b>	<b>37,734</b>	<b>4,819</b>	<b>1,920</b>	<b>2</b>	<b>44,475</b>	<b>27</b>	<b>117</b>	<b>378</b>	<b>-</b>	<b>522</b>	<b>1.2%</b>
– Republic of Ireland	18,003	3,187	1,159	2	22,351	11	87	318	-	416	1.9%
– UK	19,731	1,632	761	-	22,124	16	30	60	-	106	0.5%
<b>Non-property SME and corporate</b>	<b>11,383</b>	<b>7,786</b>	<b>1,156</b>	<b>13</b>	<b>20,338</b>	<b>70</b>	<b>401</b>	<b>387</b>	<b>-</b>	<b>858</b>	<b>4.2%</b>
– Republic of Ireland SME	3,449	2,862	666	-	6,977	34	216	238	-	488	7.0%
– UK SME	1,072	642	113	-	1,827	6	38	32	-	76	4.2%
– Corporate	6,862	4,282	377	13	11,535	30	147	117	-	294	2.5%
<b>Property and construction</b>	<b>2,814</b>	<b>5,019</b>	<b>1,051</b>	<b>63</b>	<b>8,947</b>	<b>4</b>	<b>106</b>	<b>430</b>	<b>19</b>	<b>559</b>	<b>6.2%</b>
– Investment	2,221	4,565	1,015	63	7,864	3	96	413	19	531	6.8%
– Development	593	454	36	-	1,083	1	10	17	-	28	2.6%
<b>Consumer</b>	<b>4,937</b>	<b>155</b>	<b>135</b>	<b>-</b>	<b>5,225</b>	<b>90</b>	<b>26</b>	<b>76</b>	<b>-</b>	<b>192</b>	<b>3.7%</b>
– Motor Lending UK	1,750	47	30	-	1,827	8	3	13	-	24	1.3%
– Loans UK	1,314	47	42	-	1,403	61	18	32	-	111	7.9%
– Motor Lending Ireland	783	-	19	-	802	7	-	7	-	14	1.7%
– Loans Ireland	688	54	30	-	771	12	4	17	-	33	4.3%
– Credit Cards Ireland	402	7	14	-	422	2	1	7	-	10	2.4%
<b>Total</b>	<b>56,868</b>	<b>17,779</b>	<b>4,262</b>	<b>78</b>	<b>78,987</b>	<b>191</b>	<b>650</b>	<b>1,271</b>	<b>19</b>	<b>2,131</b>	<b>2.7%</b>

Composition (Dec 20)	Gross carrying amount (before impairment loss allowance)					Impairment loss allowance					ILA % of gross loans
	Stage 1 €m	Stage 2 €m	Stage 3 €m	POCI €m	Total €m	Stage 1 €m	Stage 2 €m	Stage 3 €m	POCI €m	Total €m	
<b>Sectoral analysis by stage</b>											
<b>Residential Mortgages</b>	<b>40,016</b>	<b>2,528</b>	<b>2,196</b>	<b>2</b>	<b>44,742</b>	<b>74</b>	<b>31</b>	<b>374</b>	<b>-</b>	<b>479</b>	<b>1.1%</b>
– Republic of Ireland	19,552	1,880	1,508	2	22,942	44	20	329	-	393	1.7%
– UK	20,464	648	688	-	21,800	30	11	45	-	86	0.4%
<b>Non-property SME and corporate</b>	<b>10,637</b>	<b>8,181</b>	<b>1,014</b>	<b>-</b>	<b>19,858</b>	<b>134</b>	<b>368</b>	<b>416</b>	<b>13</b>	<b>931</b>	<b>4.7%</b>
– Republic of Ireland SME	4,155	2,246	672	-	7,073	96	144	261	-	501	7.1%
– UK SME	1,064	612	114	-	1,790	9	37	26	-	72	4.0%
– Corporate	5,418	5,323	228	26	10,995	29	187	129	13	358	3.3%
<b>Property and construction</b>	<b>2,639</b>	<b>4,869</b>	<b>1,021</b>	<b>62</b>	<b>8,591</b>	<b>9</b>	<b>126</b>	<b>442</b>	<b>19</b>	<b>596</b>	<b>6.9%</b>
– Investment	2,357	4,227	987	62	7,633	7	103	427	19	556	7.3%
– Development	282	642	34	-	958	2	23	15	-	40	4.2%
<b>Consumer</b>	<b>4,961</b>	<b>165</b>	<b>145</b>	<b>-</b>	<b>5,271</b>	<b>129</b>	<b>27</b>	<b>80</b>	<b>-</b>	<b>236</b>	<b>4.5%</b>
– Motor Lending UK	1,798	71	31	-	1,900	10	5	13	-	28	1.5%
– Loans UK	1,295	43	42	-	1,380	90	17	32	-	139	10.1%
– Motor Lending Ireland	751	-	22	-	773	8	-	8	-	16	2.1%
– Loans Ireland	678	42	33	-	753	18	4	17	-	39	5.2%
– Credit Cards Ireland	439	9	17	-	465	3	1	10	-	14	3.0%
<b>Total</b>	<b>58,253</b>	<b>15,743</b>	<b>4,376</b>	<b>90</b>	<b>78,462</b>	<b>346</b>	<b>552</b>	<b>1,312</b>	<b>32</b>	<b>2,242</b>	<b>2.9%</b>



## Non-property SME and corporate by stage<sup>1,2</sup> Bank of Ireland 2021 Interim Results – Debt Investor Presentation

Composition (Jun 21)	Gross carrying amount (before impairment loss allowance)					Impairment loss allowance					ILA % of gross loans
	Stage 1 €m	Stage 2 €m	Stage 3 €m	POCI €m	Total €m	Stage 1 €m	Stage 2 €m	Stage 3 €m	POCI €m	Total €m	
<b>Sectoral analysis by stage</b>											
<b>Non-property SME and corporate</b>											
– Manufacturing	2,529	1,414	90	-	4,033	15	58	29	-	102	2.5%
– Wholesale and retail trade	1,365	1,020	107	13	2,505	9	61	44	-	114	4.6%
– Administrative and support service activities	1,671	660	112	-	2,443	9	33	46	-	88	3.6%
– Accommodation and food service activities	234	1,315	221	-	1,770	1	55	46	-	102	5.8%
– Agriculture, forestry and fishing	1,214	352	127	-	1,693	13	19	34	-	66	3.9%
– Human health services and social work activities	627	799	33	-	1,459	4	54	10	-	68	4.7%
– Transport and storage	351	486	136	-	973	2	20	55	-	77	7.9%
– Other services	540	265	111	-	916	3	11	51	-	65	7.1%
– Professional, scientific and technical activities	404	180	16	-	600	3	8	5	-	16	2.7%
– Arts, entertainment and recreation	812	150	17	-	979	3	5	6	-	14	1.4%
– Financial and insurance activities	187	357	81	-	625	1	29	34	-	64	10.2%
– Real estate activities	81	379	52	-	512	-	27	14	-	41	8.0%
– Education	374	63	2	-	439	2	3	1	-	6	1.4%
– Other sectors	994	346	51	-	1,391	5	18	12	-	35	2.5%
<b>Total</b>	<b>11,383</b>	<b>7,786</b>	<b>1,156</b>	<b>13</b>	<b>20,338</b>	<b>70</b>	<b>401</b>	<b>387</b>	<b>-</b>	<b>858</b>	<b>4.2%</b>
<b>Composition (Dec 20)</b>											
<b>Sectoral analysis by stage</b>											
<b>Non-property SME and corporate</b>											
– Manufacturing	2,076	1,742	82	-	3,900	19	75	36	-	130	3.3%
– Wholesale and retail trade	1,388	926	96	26	2,436	25	39	55	13	132	5.4%
– Administrative and support service activities	1,520	688	141	-	2,349	19	31	77	-	127	5.4%
– Agriculture, forestry and fishing	236	1,354	131	-	1,721	5	46	40	-	91	5.3%
– Accommodation and food service activities	1,187	352	132	-	1,671	16	16	35	-	67	4.0%
– Human health services and social work activities	727	760	33	-	1,520	10	55	10	-	75	4.9%
– Transport and storage	436	489	69	-	994	4	23	42	-	69	6.9%
– Other services	431	370	119	-	920	3	15	48	-	66	7.2%
– Financial and insurance activities	475	216	15	-	706	7	9	5	-	21	3.0%
– Professional, scientific and technical activities	588	85	23	-	696	4	5	7	-	16	2.3%
– Real estate activities	308	190	89	-	587	12	10	35	-	57	9.7%
– Arts, entertainment and recreation	78	389	62	-	529	1	20	17	-	38	7.2%
– Education	311	99	1	-	411	2	6	1	-	9	2.2%
– Other sectors	876	521	21	-	1,418	7	18	8	-	33	2.3%
<b>Total</b>	<b>10,637</b>	<b>8,181</b>	<b>1,014</b>	<b>26</b>	<b>19,858</b>	<b>134</b>	<b>368</b>	<b>416</b>	<b>13</b>	<b>931</b>	<b>4.7%</b>

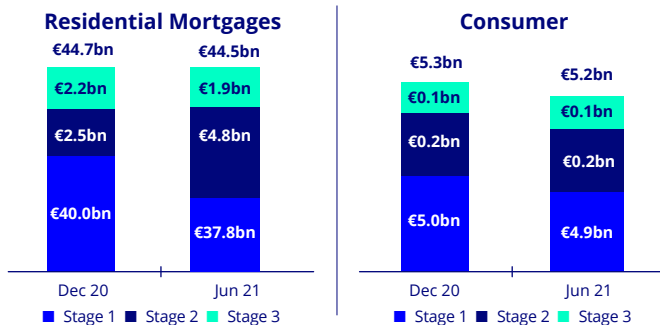
<sup>1</sup> The Non-property SME and corporate portfolio is analysed by NACE code. The NACE code classification system is a pan-European classification system that groups organisations according to their business activities

<sup>2</sup> Exposures to NACE codes totalling less than €400 million are grouped together as 'Other sectors'  
The NACE codes reported in the table above can therefore differ period on period

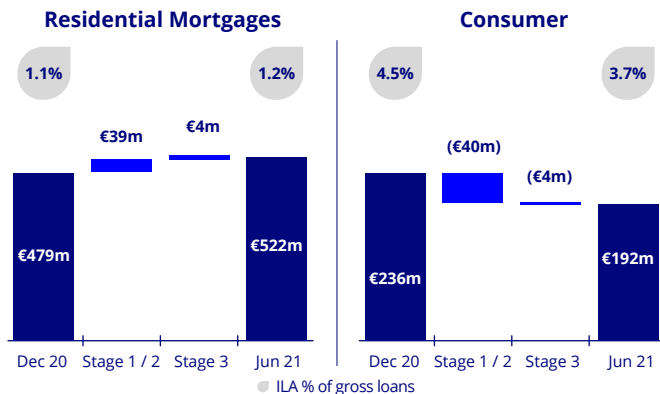
# Residential mortgages & consumer loans

Bank of Ireland 2021 Interim Results – Debt Investor Presentation

## Gross loans by stage



## ILA movement



## Residential mortgages

- Mortgage portfolios 56% of Group loan book
  - Average LTV of 58% on stock
  - 88% of the portfolio has LTV <80%
- Stage 2 loans increased from €2.5bn at Dec 2020 to €4.8bn at Jun 2021 due to a staging adjustment following the re-assessment of management adjustment assumptions
- Stage 3 loans reduced by €0.3bn reflecting the NPE mortgage transaction, with stage 3 cover increasing to 20% at Jun 2021 (17% at Dec 2020) reflecting changes to LGD model.
- €43m increase in impairment loss allowance reflects impact of changes to the LGD model components, offset by improved FLI update
- Impairment coverage increased from 1.1% at Dec 2020 to 1.2% at Jun 2021

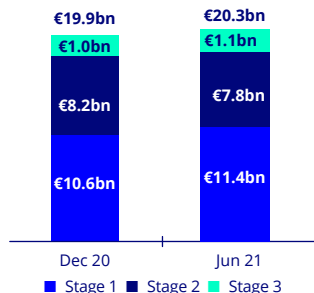
## Consumer

- 7% of Group loan book
  - €2.0bn Ireland exposure; €0.8bn motor, €0.8bn consumer loans, €0.4bn credit cards
  - €3.2bn UK exposure; €1.8bn motor, €1.4bn consumer loans
- €44m decrease in impairment loss allowance related to FLI model updates
- Impairment coverage decreased from 4.5% at Dec 2020 to 3.7% at Jun 2021

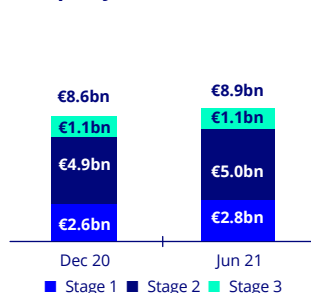
# Non-property SME and corporate & property and construction

## Gross loans by stage

### Non-property SME and corporate

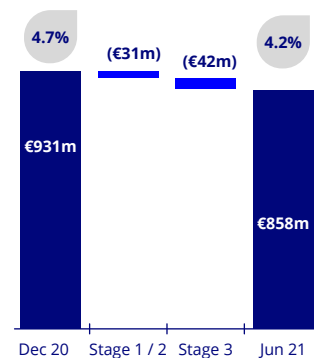


### Property and construction

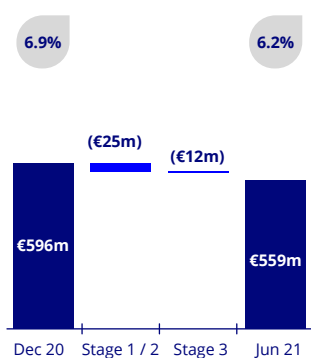


## ILA movement

### Non-property SME and corporate



### Property and construction



● ILA % of gross loans

## Non-property SME and corporate

- 26% of Group loan book, well diversified by geography and sector
- €0.4bn decrease in stage 2 loans since Dec 2020 reflecting improved macro-economic conditions and improved outlook on corporate lending exposures, offset by staging adjustment for SME loans following re-assessment of management adjustment assumptions
- Increased impairment coverage across higher impacted sectors and portfolios:
  - Wholesale and retail trade exposure €2.4bn, impairment coverage 3.6% (Dec 20: 5.4%)
  - Accommodation and food services exposure €1.8bn, impairment coverage 5.8% (Dec 2020: 5.3%)
  - Acquisition finance exposure €4.7bn, impairment coverage 3.2% (Dec 2020: 4.2%)
- Impairment coverage decreased from 4.7% to 4.2% at Jun 2021

## Property and construction

- 11% of Group loan book; €7.9bn investment property; €1.1bn development lending
- Investment property exposures Retail (33%), Office (34%), Residential (18%) and Other (15%); 72% of the book LTV <70%
- Impairment coverage decreased from 6.9% to 6.2% at Jun 2021

## Forward looking information – macro-economic scenarios

Bank of Ireland 2021 Interim Results – Debt Investor Presentation

30 June 2021	Ireland			United Kingdom		
	2021	2022	2023-2025	2021	2022	2023-2025
<b>Central scenario - 45% probability weighting</b>						
GDP growth <sup>1</sup>	4.7%	4.9%	3.0%	5.4%	5.5%	1.8%
GNP growth <sup>1</sup>	6.1%	4.7%	2.6%	n/a	n/a	n/a
Unemployment rate	8.0%	7.4%	5.6%	5.6%	5.6%	4.6%
Residential property price growth	3.0%	2.0%	1.3%	4.0%	(1.0%)	1.7%
Commercial property price growth	(5.5%)	(0.5%)	1.5%	(4.0%)	0.0%	1.5%
<b>Upside scenario - 20% probability weighting</b>						
GDP growth <sup>1</sup>	6.3%	5.9%	3.2%	7.5%	6.2%	1.9%
GNP growth <sup>1</sup>	7.7%	5.7%	2.8%	n/a	n/a	n/a
Unemployment rate <sup>2</sup>	7.2%	5.8%	4.4%	5.0%	4.7%	3.8%
Residential property price growth <sup>3</sup>	5.0%	3.0%	1.7%	6.0%	3.0%	2.3%
Commercial property price growth <sup>3</sup>	(2.5%)	0.5%	2.5%	(1.5%)	1.0%	2.5%
<b>Downside scenario 1 - 25% probability weighting</b>						
GDP growth <sup>1</sup>	3.2%	3.0%	2.9%	4.4%	3.6%	1.6%
GNP growth <sup>1</sup>	4.6%	2.8%	2.5%	n/a	n/a	n/a
Unemployment rate <sup>2</sup>	8.8%	9.1%	7.7%	6.2%	7.0%	6.1%
Residential property price growth <sup>3</sup>	0.0%	(2.0%)	(0.3%)	1.0%	(3.0%)	(0.3%)
Commercial property price growth <sup>3</sup>	(7.0%)	(3.0%)	1.0%	(6.5%)	(3.0%)	0.8%
<b>Downside scenario 2 - 10% probability weighting</b>						
GDP growth <sup>1</sup>	1.9%	0.8%	2.5%	2.8%	1.5%	1.2%
GNP growth <sup>1</sup>	2.9%	0.6%	2.1%	n/a	n/a	n/a
Unemployment rate <sup>2</sup>	10.0%	11.0%	9.8%	7.3%	8.8%	8.2%
Residential property price growth <sup>3</sup>	(3.0%)	(5.0%)	(1.7%)	(4.0%)	(8.0%)	(3.3%)
Commercial property price growth <sup>3</sup>	(10.0%)	(8.5%)	(1.3%)	(8.5%)	(8.0%)	(2.2%)

<sup>1</sup> Annual growth rate

<sup>2</sup> Average yearly rate

<sup>3</sup> Year-end figures

## ILA sensitivity to macro-economic scenarios

Bank of Ireland 2021 Interim Results – Debt Investor Presentation

The following table indicates the approximate extent to which impairment loss allowance (ILA), excluding Group management adjustments, would be higher or lower than reported were a 100% weighting applied to the central, upside and downside future macro-economic scenarios respectively

30 June 2021	Multiple scenarios	Change in impairment loss allowance							
		Central scenario		Upside scenario		Downside scenario 1		Downside scenario 2	
		Impairment loss allowance €m	Impact %	Impairment loss allowance €m	Impact %	Impairment loss allowance €m	Impact %	Impairment loss allowance €m	Impact %
Impact of applying only a central, upside or downside scenario rather than multiple probability weighted scenarios <sup>1</sup>									
<b>Total</b>	<b>1,906</b>	<b>(82)</b>	<b>(4%)</b>	<b>(222)</b>	<b>(12%)</b>	<b>223</b>	<b>12%</b>	<b>662</b>	<b>35%</b>

The following table indicates the approximate extent to which impairment loss allowances for the residential mortgage portfolios, excluding post model Group management adjustments, would be higher or lower than the application of a central scenario if there was an immediate change in residential property prices. Although such changes would not be observed in isolation, as economic indicators tend to be correlated in a coherent scenario, this gives insight into the sensitivity of the Group's impairment loss allowance to a once-off change in residential property values.

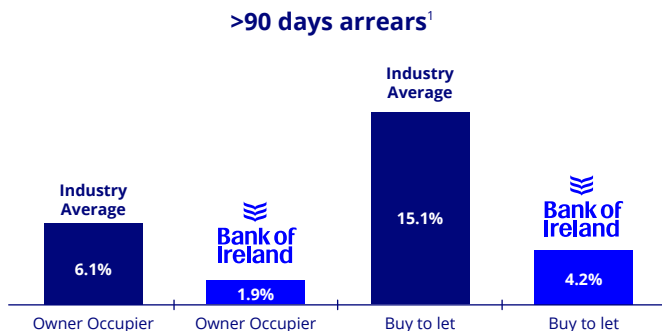
30 June 2021	Central scenarios	Change in impairment loss allowance							
		Residential property price reduction of 10%		Residential property price reduction of 5%		Residential property price increase of 5%		Residential property price increase of 10%	
		Impairment loss allowance €m	Impact %	Impairment loss allowance €m	Impact %	Impairment loss allowance €m	Impact %	Impairment loss allowance €m	Impact %
Impact of an immediate change in residential property prices compared to a scenario impairment loss allowance									
<b>Total</b>	<b>432</b>	<b>44</b>	<b>10%</b>	<b>20</b>	<b>5%</b>	<b>(18)</b>	<b>(4%)</b>	<b>33</b>	<b>(8%)</b>

<sup>1</sup> The scenarios outlined in the table are based on the FLI weightings outlined on page 52

# Ireland mortgages

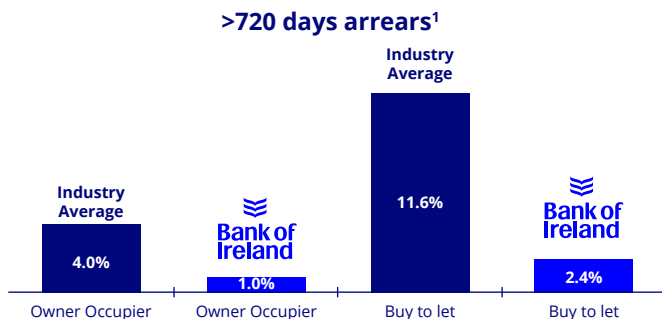
Continued proactive arrears management

Bank of Ireland 2021 Interim Results – Debt Investor Presentation



## >90 days arrears

- Bank of Ireland is significantly below the industry average for both Owner Occupier (31% 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 (25% of industry average) and Buy to Let (21% of industry average)

<sup>1</sup> As at Mar 2021, based on number of accounts, industry average excluding BOI

## Ordinary shareholders' equity and TNAV

Bank of Ireland 2021 Interim Results – Debt Investor Presentation

Movement in ordinary shareholders' equity	Dec 2020 (€m)	Jun 2021 (€m)
<b>Ordinary shareholders' equity at beginning of period</b>	<b>9,625</b>	<b>8,587</b>
<b>Movements:</b>		
Profit / (Loss) for the period	(707)	341
Dividend paid to ordinary shareholders	–	–
Dividends on preference equity interests	–	–
Distribution on other equity instruments – additional tier 1 coupon (net of tax)	(60)	(34)
Re-measurement of the net defined benefit pension liability	(80)	285
Debt instruments at FVOCI reserve movements	5	(29)
Cash flow hedge reserve movement	(12)	(4)
Foreign exchange movements	(174)	113
Other movements	(10)	(5)
<b>Ordinary shareholders' equity at end of period</b>	<b>8,587</b>	<b>9,254</b>

Tangible net asset value	Dec 2020 (€m)	Jun 2021 (€m)
<b>Ordinary shareholders' equity at the end of period</b>	<b>8,587</b>	<b>9,254</b>
<b>Adjustments:</b>		
Intangible assets and goodwill	(751)	(797)
Own stock held for benefit of life assurance policyholders	25	21
<b>Tangible net asset value (TNAV)</b>	<b>7,861</b>	<b>8,478</b>
Number of ordinary shares in issue at the end of the period excluding treasury shares	1,074	1,075
<b>TNAV per share (€)</b>	<b>€7.32</b>	<b>€7.89</b>

## Capital – strong Fully Loaded and Regulatory CET1 ratios

Capital ratios – Jun 2021	Regulatory ratio (€bn)	Fully Loaded ratio (€bn)
Total equity	10.3	10.3
Less Additional Tier 1	(1.0)	(1.0)
Deferred tax <sup>2</sup>	(0.8)	(1.1)
Intangible assets and goodwill	(0.5)	(0.5)
Foreseeable dividend	0.0	0.0
Expected loss deduction	(0.1)	0.0
Pension fund asset	(0.3)	(0.3)
IFRS 9 Regulatory Addback <sup>3</sup>	0.4	0.0
Other <sup>1</sup> items	(0.5)	(0.5)
<b>Common Equity Tier 1 Capital</b>	<b>7.5</b>	<b>6.9</b>
Credit RWA	38.9	38.8
Operational RWA	4.2	4.2
Market, Counterparty Credit Risk and Securitisations	2.2	2.2
Other Assets / 10% / 15% threshold deduction	3.8	3.7
<b>Total RWA</b>	<b>49.1</b>	<b>48.9</b>
<b>Common Equity Tier 1 ratio</b>	<b>15.3%</b>	<b>14.1%</b>
<b>Total Capital ratio</b>	<b>20.5%</b>	<b>19.6%</b>
<b>Leverage ratio</b>	<b>6.5%</b>	<b>6.0%</b>

### Phasing impacts on Regulatory ratio

- Deferred tax assets - certain DTAs are deducted at a rate of 70% for 2021, increasing annually at a rate of 10% thereafter until 2024
- IFRS 9 - the Group has elected to apply the transitional arrangement. The transitional arrangement allows a 100% add-back in 2021 decreasing to 75%, 50%, and 25% in subsequent years

<sup>1</sup> Other items includes other capital deductions, principal ones being prudential valuation adjustment, 10%/15% deduction and calendar provisioning deduction

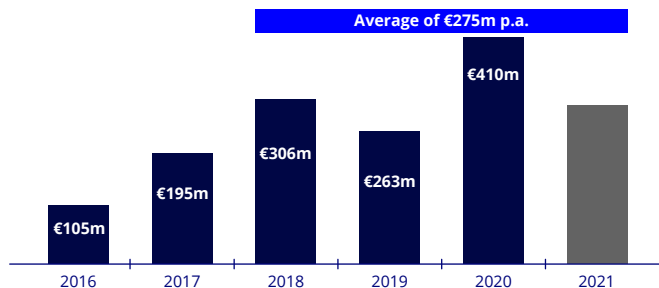
<sup>2</sup> Deferred tax assets due to temporary differences are included in other RWA with a 250% risk weighting applied

<sup>3</sup> The IFRS 9 addback to the Regulatory CET1 was c.80bps at 30 Jun 2021, decreased from c.95bps at 31 Dec 2020



## Transformation investment / operating expenses

### Transformation Investment: €1.4bn (2016-2021)



### Transformation investment

- Average annual investment of €275m from 2018-2021; equates to CET1 capital of c.50-60bps
- Investment of €149m in H1 2021 split across the income statement (14%), balance sheet (36%) and non-core items (50%)
- Total transformation investment of €1.4bn 2016-2021 unchanged to support 2021 target for operating expenses <€1.65bn
- Additional investment required to support 2023 cost target of €1.5bn

Operating Expenses	H1 2020 (€m)	H1 2021 (€m)
Total staff costs	425	413
– Staff costs	361	341
– Pension costs	64	72
Other costs	288	290
Depreciation	131	113
<b>Operating Expenses</b>	<b>844</b>	<b>816</b>
Transformation Investment charge	28	21
<b>Operating Expenses (before levies and regulatory charges)</b>	<b>872</b>	<b>837</b>
Levies and Regulatory charges	70	96
Impairment of intangibles and goodwill	9	-
<b>Total Operating Expenses</b>	<b>951</b>	<b>933</b>
Average staff numbers	10,383	9,643
Cost income ratio <sup>1</sup>	66%	61%

<sup>1</sup> See page 58 for additional detail

## Cost income ratio: Jun 2021

Headline vs. Adjusted

Bank of Ireland 2021 Interim Results – Debt Investor Presentation

	H1 2021 Headline (€m)	Pro forma adjustments (€m)	H1 2021 Pro forma (€m)
<b>Net interest income</b>	<b>1,080</b>	<b>-</b>	<b>1,080</b>
<b>Other income</b>			
– Business income	282	-	282
– Additional gains	2	(2)	-
– Other valuation items	34	(34)	-
<b>Total Income</b>	<b>1,398</b>	<b>(36)</b>	<b>1,362</b>
<b>Costs</b>			
– Operating expenses	816	-	816
– Transformation Investment	21	-	21
<b>Costs</b>	<b>837</b>	<b>-</b>	<b>837</b>
<b>Cost income ratio</b>	<b>60%</b>		<b>61%</b>

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

- **H1 2021 Adjusted cost income ratio is adjusted for:**
  - Additional gains and valuation items €36m

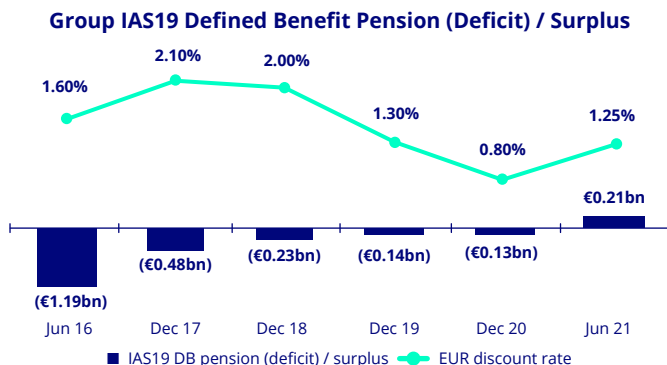
## Return on tangible equity (RoTE)

H1 2021: Headline vs. Adjusted

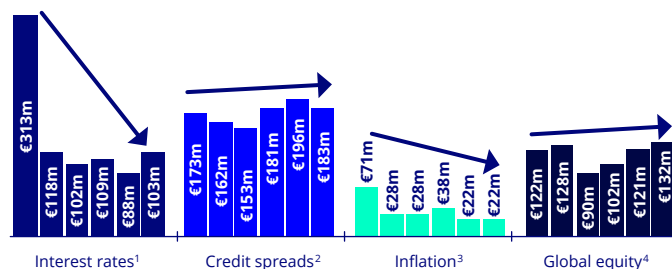
	H1 2021 Headline (€m)	Additional gains & valuations items, net of tax	Adjusted for CET1 ratio at 13.0%	H1 2021 Adjusted (€m)
<b>Profit for the period</b>	<b>341</b>			
– Non-core items including tax	58			
– Coupon on Additional Tier 1 securities	(34)			
– Preference share dividends	(4)			
<b>Adjusted profit after tax</b>	<b>361</b>	<b>(32)</b>	<b>-</b>	<b>329</b>
<b>Annualised profit after tax</b>	<b>735</b>	<b>(64)</b>	<b>-</b>	<b>671</b>
<b>At June 2021</b>				
– Shareholders' equity	9,254		(497)	<b>8,757</b>
– Intangible assets	(797)			<b>(797)</b>
– Shareholders' tangible equity	8,457		(497)	<b>7,960</b>
<b>Average shareholders' tangible equity</b>	<b>8,091</b>	<b>-</b>	<b>(282)</b>	<b>7,809</b>
<b>Return on tangible equity (RoTE)</b>	<b>9.1%</b>			<b>8.6%</b>

- **H1 2021 Adjusted return on tangible equity is adjusted for:**
  - Additional gains and valuations items, net of tax - €32m
  - Average shareholders' tangible equity calculated on a CET1 ratio at 13% - €282m

## Defined benefit pension schemes



### IAS19 Pension Deficit Sensitivities (Jun 2016 / Dec 2017 / Dec 2018 / Dec 2019 / Dec 2020 / Jun 2021)



<sup>1</sup> Sensitivity of Group deficit to a 0.25% decrease in interest rates

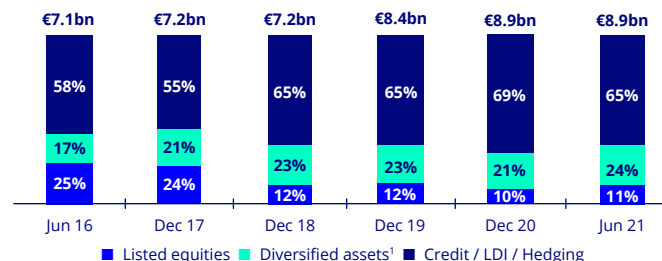
<sup>2</sup> Sensitivity of IAS19 liabilities to a 0.10% decrease in credit spread over risk free rates

<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

## Bank of Ireland 2021 Interim Results – Debt Investor Presentation

### Total Group Defined Benefit Pension Scheme Assets (%)



<sup>1</sup> Diversified assets includes infrastructure, private equity, hedge funds and property

- IAS19 pension surplus of €0.21bn at Jun 2021 (€0.13bn deficit Dec 2020). Schemes in surplus €0.39bn, schemes in deficit €0.18bn
- Both euro and sterling discount rates increased over the half year due to increases in long term risk free interest rates, leading to a reduction in long term liabilities
- The interest rate hedging in the investment portfolios offset some of positive impact of the increase in risk free rates
- The implied credit spread component of the discount rates remained largely unchanged over the period
- Both long term euro and sterling inflation assumptions also increased in the period, with the resulting increase in liabilities partially offset by the increase in inflation hedging assets
- De-risking strategies in recent years have also reduced the schemes' exposure to global equity movements and increased exposure to non-correlated assets
- Listed equity asset holdings have been reduced in favour of increases in diversified assets and credit / LDI / hedging allocations

## Forward looking statement

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 Interim Report for the six months ended 30 June 2021. Investors should also read 'Principal Risks and Uncertainties' in the Group's Interim Report for the six months ended 30 June 2021 beginning on page 27.

Nothing in this document should be considered to be a forecast of future profitability, dividends or financial position of the Group and none of the information in this document is or is intended to be a profit forecast, dividend 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.

## Contact Details

Bank of Ireland 2021 Interim Results – Debt Investor Presentation

**For further information please contact:**

- **Group Chief Financial Officer**

Myles O'Grady	tel: +353 12 50 8900 ext. 43291	myles.ogrady@boi.com
---------------	---------------------------------	----------------------

- **Investor Relations**

Darach O'Leary	tel: +353 12 50 8900 ext. 44711	darach.oleary@boi.com
Owen Callan	tel: +353 12 50 8900 ext. 45092	owen.callan@boi.com
Philip O'Sullivan	tel: +353 12 50 8900 ext. 35328	philip.osullivan1@boi.com

- **Group Treasury**

Tony Morley	tel: +353 12 50 8900 ext. 41974	tony.morley@boi.com
Alan Elliott	tel: +353 12 50 8900 ext. 44371	alan.elliott@boi.com
Alan McNamara	tel: +353 12 50 8900 ext. 48725	alan.mcnamara@boi.com
Redmond O'Leary	tel: +353 12 50 8900 ext. 44198	redmond.oleary@boi.com
Deirdre Ceannt	tel: +353 12 50 8900 ext. 44219	deirdre.ceannt@boi.com

- **Investor Relations website**

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

