# **Bank of Ireland** Key Messages

February 2017

Bank of Ireland

## 1. Strong retail & commercial customer franchises reflected in our financial performance

### Continue to proactively support and benefit from Irish economic growth

- Leading bank in a growing economy; continued to be the largest lender to the Irish economy
  - #1 or #2 market positions across all principal product lines
  - New mortgage lending volumes of €1.4bn in 2016
  - Ireland's #1 business bank providing >50% market share of new business lending flow in Ireland
  - Ireland's #1 corporate bank; >60% share of new FDI banking relationships

### Attractive international franchises provide diversification and further opportunities for growth

- United Kingdom – A leading consumer bank operating through attractive partnerships
  - BOI (UK) plc is a separately regulated, capitalised and self-funded business
  - Exclusive financial services partner for two of the most trusted brands in the UK – the Post Office and the AA; market leader in consumer FX; flexible business model provides capability to adapt quickly to market developments
- Niche International Corporate lending
  - Acquisition finance: Well recognised lead arranger/underwriter of mid-market transactions, both in Europe and US; generates attractive margins & fee income within disciplined risk appetite

## 2. Underlying profit of €1,071m for 2016

- All trading divisions contributing to Groups profitability
- 2016 NIM of 2.19% (H1 2016: 2.11%, H2 2016: 2.27%)
- Customer loan net impairment charge of 21 bps (€176m) for 2016 vs 32 bps (€296m) in 2015, 40% reduction
- Multi-year investment programme commenced to replace core banking platforms as part of business transformation; expect investment with a CET1 ratio impact of c.35-45bps p.a. over the next 4 years with c.50% charged to income statement and c.50% capitalised

## 3. Balance Sheet; Capital and liquidity available to support growth

| Capital ratios | 1 Jan 16 | 31 Dec 16 |
|---|---|---|
| CET1 ratio - Transitional | 12.9%[1] | 14.2% |
| CET1 ratio - Fully Loaded | 11.3% | 12.3% |
| Total Capital ratio | 17.5%[1] | 18.5% |

### Strong organic capital generation continued; 130bps in 2016

- Expect to maintain a CET1 ratio in excess of 12% on a transitional basis, and on a fully loaded basis by the end of the phase in period. This includes meeting applicable regulatory capital requirements plus an appropriate management buffer.
- Aim to have a sustainable dividend is unchanged. First payment expected in 2018 in respect of financial year 2017

### Continued growth in core loan books

- Core loan books grew by €1.7bn in 2016

### Asset quality continues to improve

- Non-performing loans reduced by a further €4.1bn in 2016 to €7.9bn. Defaulted loans reduced to €6.9bn, >60% below reported peak at June 2013

### Stable retail oriented deposit franchises

- Customer deposits of €75.0bn at Dec 2016 funding > 95% of customer loans; Wholesale funding was €14.4bn at end of 2016
- Strong liquidity ratios: NSFR of 122%, LCR of 113% and LDR of 104% at December 2016
- Robust liquidity position facilitated buyback of €0.9bn of expensive debt in 2016

## 4. Credit Ratings

- S&P upgrade to BBB (Stable) in Jan 2017. Positive outlook from Moody's (Baa2), Fitch (BBB-) and DBRS (BBB High)

[1] Transitional CET1 ratio of 12.9% and Total capital ratio of 17.5% are the pro-forma ratios as at 1 January 2016, allowing for the impact of CRD IV phasing in 2016

**Disclaimer**

For more information, this document should be read in conjunction with our Interim Report for the six months period ended 30 June 2016, which is available on www.bankofireland.com.

This document is for information purposes only and Bank of Ireland is not soliciting any action based upon it.

The Governor and Company of the Bank of Ireland is regulated by the Central Bank of Ireland. In the UK, The Governor and Company of the Bank of Ireland is authorised by the Central Bank of Ireland and the Prudential Regulation Authority and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority.

Details about the extent of our authorisation and regulation by the Prudential Regulation Authority and regulation by the Financial Conduct Authority are available from us on request.

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



DOC 299 02/17