Bank of Ireland Key Messages
February 2018

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 in 2017
  - #1 or #2 market positions across all principal product lines
  - New mortgage lending up 41% in 2017 with market share growing to 27%; re-entering mortgage broker market
  - Ireland's #1 business bank; largest provider of new business lending into the Irish economy in 2017
  - Ireland's #1 corporate bank; supporting 2 out of every 3 Foreign Direct Investment projects into Ireland

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

- United Kingdom – Focussed predominantly on the consumer sector
  - 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 to market developments
- International Corporate lending
  - Acquisition Finance: Maintained its leading position in the mid-market sector in Europe and US; generates attractive margins & fee income within disciplined risk appetite

2. Underlying profit of €1,078m for 2017

- NIM increased to 2.29% in 2017 (2016: 2.20[1]%, 2015: 2.19%)
- Strong organic capital generation of 140bps in 2017, dividends re-commencing
- All trading divisions contributing to Group's profitability
- Customer loan impairment charges (net) of 2bps (€15m) for 2017 vs 21bps (€178m) in 2016, c.90% reduction; Expect the impairment charge for 2018 to be up to c.20 bps, reflecting the transition to IFRS 9 and a slower pace of impairment reversals with a consequent trend towards more normalised levels
- Outlook; Strong economic growth projected in Ireland; UK also expected to expand; Expect net loan book growth in 2018 with NIM modestly lower than 2017; Expect costs to reduce in 2018; impairment charge for 2018 to be up to c.20bps
- Investor Day in June 2018 to expand further on strategic priorities and growth ambitions for the Group

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

Capital ratios	31 Dec 16	31 Dec 17
CET1 ratio - Fully Loaded	12.3%	13.8%
CET1 ratio - Regulatory	14.2%	15.8%
Total Capital ratio	18.5%	20.2%

Strong organic capital generation; robust capital ratios

- Expect to maintain a CET 1 ratio in excess of 13% on a regulatory basis and on a fully loaded basis by the end of the O-SII phase-in period[2]. This includes meeting applicable regulatory capital requirements plus an appropriate management buffer
- Dividend of 11.5c per share proposed and deducted from the capital ratios in line with regulatory guidance (€124m). First dividend in 10 years; expect to increase on a prudent and progressive basis and, over time, will build towards a payout ratio level of around 50% of sustainable earnings

Asset quality continues to improve

- Non-performing exposures (NPEs) of €6.5bn, 31% / €2.9bn reduction during 2017. Impaired loans reduced to €4.0bn, 5% of customer loans and down 73% from reported peak in June 2013. Expect further reductions in 2018 and beyond; pace will be influenced by a range of factors

Continued growth in new lending

- New lending of €14.1bn in 2017, increase of 11% on a constant currency basis vs. 2016

Funding profile; strong liquidity position

- Customer deposits of €75.9bn at Dec 2017, predominantly sourced through retail distribution channels, funding 100% of customer loans. Wholesale funding was €12.7bn at end of Dec 2017
- Strong liquidity ratios: NSFR of 127%, LCR of 136% and LDR of 100% at Dec 2017

4. Positive Credit Rating developments

- Upgrades to bank ratings in 2017 from Moody's, S&P, Fitch and DBRS to Baa1, BBB, BBB and A(low) respectively. Positive outlook from Moody's and S&P
- HoldCo has IG ratings of Baa3 (Positive), BBB- (Positive) and BBB (Stable) from Moody's, S&P and Fitch respectively

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

[2] The Other-Systemically Important Institution (O-SII) buffer will be introduced at 0.5% in July 2019, phasing in at 0.5% per annum to 1.5% in July 2021

Disclaimer

For more information, this document should be read in conjunction with our Annual Report for the year ended 31 December 2017, which is available on www.bankofireland.com/investor.

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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.

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Registered Number - C-1.

DOC 299 02/18