Bank of Ireland Key Messages
July 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 in H1 2017
  - #1 or #2 market positions across all principal product lines
  - New mortgage lending up over 30% in H1 2017 with new lending market share growing to 26%
  - Ireland's #1 business bank; largest provider of new business lending into the Irish economy in H1 2017
  - 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 €480m for H1 2017

- All trading divisions contributing to Group's profitability
- NIM increased to 2.32% in H1 2017 (H1 2016: 2.11%, H2 2016: 2.27%)
- Customer loan net impairment charge of 14bps (€59m) for H1 2017 vs 21bps (€93m) in H1 2016, c.40% reduction; lower charge expected for H2 2017
- Core Banking Platforms investment in H1 2017 of €105m (CET1 ratio impact of c.20bps); €55m expensed to income statement

3. Capital and liquidity available to support growth

Capital ratios	31 Dec 16	30 Jun 17
CET1 ratio - Transitional	14.0%[1]	14.4%
CET1 ratio - Fully Loaded	12.3%	12.5%
Total Capital ratio	18.2%[1]	18.3%

Strong organic capital generation; robust capital ratios

- 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
- Dividend payments expected to recommence at a modest level in H1 2018, in respect of financial year 2017; potential dividend (c.20% of sustainable earnings) deducted at Jun 2017 in line with Regulatory guidance

Asset quality continues to improve

- Impaired Loans reduced by a further €0.8bn in H1 2017 to €5.4bn; down 65% from reported peak in Jun 2013. Non-performing exposures reduced by €1.3bn during H1 2017 to €8.1bn. Expect further reductions in H2 2017 and beyond; pace will be influenced by a range of factors

Continued growth in core loan books

- Core loan books grew by €0.5bn in H1 2017 while maintaining an appropriate focus on risk and pricing

Funding profile; strong liquidity position

- Customer deposits of €74.7bn at Jun 2017, predominantly sourced through retail distribution channels, funding > 95% of customer loans. Wholesale funding was €13.5bn at end of Jun 2017
- Strong liquidity ratios: NSFR of 121%, LCR of 120% and LDR of 103% at Jun 2017
- Holdco established in Jul 2017; future senior and junior debt issuance for MREL purposes expected to be issued from Holdco

4. Positive Credit Rating developments

- Upgrades to bank ratings in H1 2017 from S&P, Moody's and DBRS to BBB, Baa1 and A(low) respectively. Positive outlook from Moody's and Fitch (Fitch BBB-)
- HoldCo assigned IG ratings of Baa3, BBB- and BBB- by Moody's, S&P and Fitch respectively

[1] Transitional CET1 ratio of 14.0% and Total capital ratio of 17.5% are the pro-forma ratios as at 1 January 2017, allowing for the impact of CRD IV phasing in 2017

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