

Bank of Ireland Group plc (together with its subsidiaries, the "Group")

Announcement of strategic plan and financial targets

13 June 2018

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The Group is holding an Investor Day this morning at 9am in London.

Group CEO Francesca McDonagh commented:

*'I am delighted to announce our strategic plan today.*

*Our strategic ambition is clear - to be the National Champion Bank in Ireland, with UK and selective international diversification.*

*After a period of restructuring, the Group is in a strong financial position.*

*The Group is now in a growth phase. We expect to grow our loan book by c.20% by 2021, enabled by the strength of our franchises and a supportive economic backdrop in our main markets. We are also focussed on transforming our efficiency. We are targeting a reduction in our cost base to c.€1.7bn by 2021, while delivering on our growth ambitions.*

*I am confident in our ability to execute our plan, materially enhance the sustainable returns for our shareholders and deliver on our shared common purpose of "Enabling our customers, colleagues and communities to thrive".'*

## **Key highlights of strategic plan**

The Group's strategic plan is focussed on growth and transformation.

### **Growth**

- Expect loan book growth of c.20% by 2021;
  - c.65% of loan book growth is expected to be in Ireland; c.35% through selective international diversification
  - Loan book growth supported by the macro-economic outlook, the quality of our franchises and distribution, and our customer propositions
  - 200-250bps of CET1 capital indented to accommodate loan growth
  - Group has a competitive edge in risk management and growth is within risk appetite. Expect impairment charge under IFRS9 to be up to c.20bps-30bps p.a.
- Expect net interest margin to be broadly in line with exit 2017 level of 2.24%, with positive impact from loan book growth and modest benefits from higher interest rates prudently assumed to be offset by manageable competitive pressures
- Expect business income to represent c.20-25% of total income and to increase on the back of economic growth and higher income from wealth management and insurance initiatives in Ireland
- The Group is committed to the UK market, with a focus on increasing returns through:
  - Investing in and supporting growth in businesses where we are generating above hurdle returns
  - Improving, through a range of actions, those businesses that have good potential but are currently below return hurdles
  - Repositioning businesses where there is less certainty on achieving hurdle expectations within a reasonable timeframe
  - The Group expects UK RoTE to double from low single digit today to high single digit by 2021, with a continued focus on further increasing returns thereafter

## Transformation

- The Group is accelerating and broadening its multi-year transformation programme
  - Transformation programme broadened to now encompass culture, systems and business model
  - Total investment will amount to €1.4bn over 2016-21, comprising the following:
    - €0.25bn to deepen the transformation of our IT systems, supporting planned growth (additional to €0.9bn core banking systems investment previously announced)
    - €0.25bn to broaden the extent of transformation to deliver business model benefits and accelerate the reduction in our cost base
  - Transformation investment will average €275m p.a. from 2018-21, equivalent to c.50-60bps of CET1 capital annually
- This investment will:
  - support expected loan book growth and increase in wealth management and insurance income
  - enable the Group to reduce its absolute cost base from €1.9bn to c.€1.7bn (which includes c.€0.1bn transformation investment costs) in 2021
  - enable the Group to reduce its costs every year between now and 2021 in absolute terms
  - support the Group in achieving a cost income ratio of c.50% in 2021, compared to c.65% in 2017

## Financial targets

The Group has set the following financial targets:

- **Profitability:** Return on tangible equity (RoTE): in excess of 10% by 2021
- **Efficiency:**
  - Absolute cost declining year every year from 2018 to 2021 (inclusive)
  - Cost base to be c.€1.7bn in 2021
  - Cost-income ratio in 2021 to improve to c.50%
- **Capital:** Maintain a CET1 ratio in excess of 13% on a regulatory basis and on a fully loaded basis by the end of the O-SII phase in period
- **Dividends/ distributions:** Dividends to increase on a prudent and progressive basis and, over time, to build towards a payout ratio of around 50% of sustainable earnings. To the extent the Group has excess capital, other means of capital distribution will be considered

## 2018 Outlook

The Group is trading in line with expectations and the guidance provided at the Group's 2017 full year results in February 2018.

Ends

**Notes:** The Investor Day will be live webcast and is also open to participants to join via conference call. For further information log on to [www.bankofireland.com/investor](http://www.bankofireland.com/investor) or contact:

## Bank of Ireland

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## **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, 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, 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.

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