Bank of Ireland Group

Investor Day

13 June 2018

ENABLING CUSTOMERS, COLLEAGUES
AND COMMUNITIES TO THRIVE

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Vision and Strategic Aspiration

Francesca McDonagh
Group CEO

Bank of Ireland Group

Today's focus

Growth	• Unlocking growth in our **Irish business:**
	  • Supporting **house building** and **home buying**
	  • Building out our **wealth and insurance** business
	• **Group loan book** expected to **grow by c. 20%** by 2021

Transformation	• **Accelerating and broadening** our multi-year transformation programme
	  • Encompassing **culture, systems** and **business model**
	  • Invest more to support **growth**, improve **customer experience** and drive **efficiency**

UK	• **Committed to the UK**, focussed on increasing returns
	  • **Investing** in businesses that are generating above-hurdle returns
	  • **Improving** returns in businesses with potential to meet return and efficiency hurdles
	  • **Repositioning** businesses where less certainty exists about meeting hurdle expectations

Financial targets	• **RoTE** in excess of 10% by 2021 • **Cost base** of c. €1.7bn in 2021; costs reduce each year; cost income ratio of c. 50% in 2021 • **CET1 ratio** in excess of 13% • **Dividends** to build towards a payout ratio of 50%

Ireland's transformation over the next 20 years underpins our growth ambitions

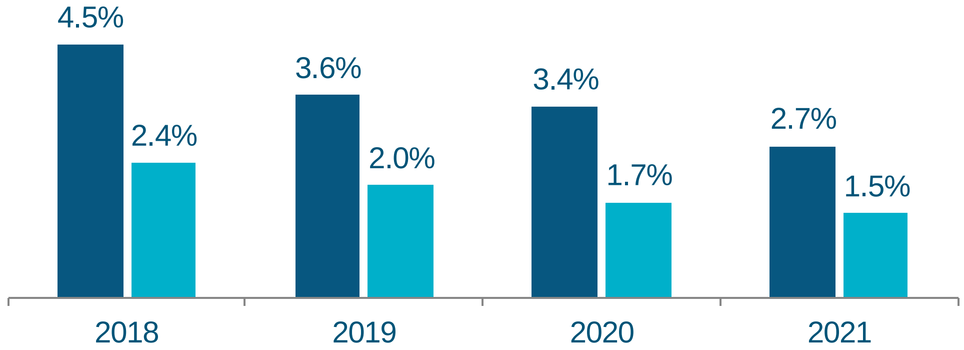
	Ireland 2040 growth expectations		Implications
Overall population	+1m	⬆ +20%	• Significant growth in **house building**
Population in top four cities outside Dublin[1]	+0.22m	⬆ +50%	• Significant **growth in mortgage and SME** lending
Employment	+0.66m	⬆ +33%	• Increasing needs for **wealth management** and **retirement planning**
Homes	+0.5m	⬆ +30%	

[1] Cork, Limerick, Galway, Waterford

SOURCE: Ireland 2040 National Planning Framework

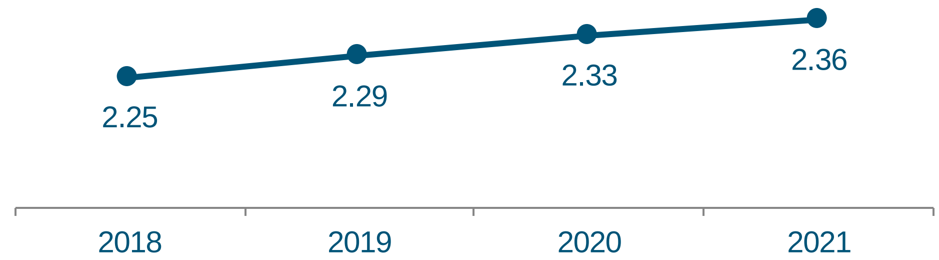
Strong Irish economic outlook

GDP growth well above Euro area average



Ireland GDP (annual real growth)
Euro area GDP (annual real growth)

Economy to continue creating jobs

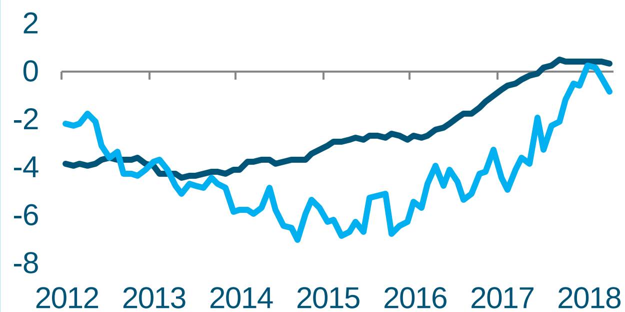


Employment (m)

Strong housing demand to continue

Housing completions 2012, 2017 (units p.a.)
Future housing demand 2017-21 (average units p.a.)

Credit growth after many years of deleveraging



Annual change in stock of lending to households[1] (annual % change)
Annual change in stock of lending to businesses[2] (annual % change)

New lending outlook

	2017	2021
Mortgages	€7.3bn	c. €14bn
SME	€5.0bn	c. €7bn

[1] Banks' balance sheet basis: excludes loan sales and securitisations [2] Non-financial corporations
SOURCE: Ireland GDP and employment forecasts: averages of Department of Finance, CBoI, ESRI, IMF, OECD, EU Commission, Reuters consensus and BoI forecasts; Euro area GDP forecasts: IMF; housing completions: Department of Housing, Planning and Local Government; housing demand: Sherry FitzGerald Research; credit data: CBoI; new lending outlook: BoI internal forecast

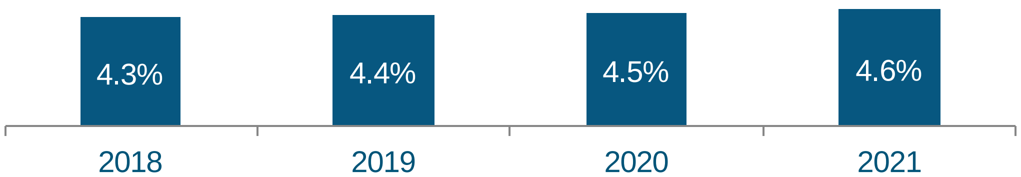
Economic outlook in UK remains positive despite Brexit

Stable macro-economic backdrop

GDP growth

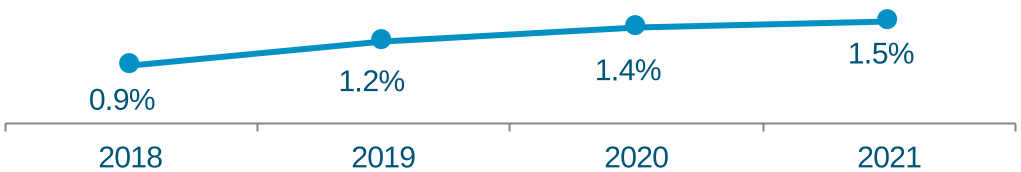
GDP (annual real growth)

Unemployment



Unemployment rate (annual average)

Interest rate



3-month Libor (year end, market expectation)

Supportive outlook for consumer banking

Macroeconomic conditions

- GDP growth expected despite Brexit uncertainties
- Rising interest rates

Mortgage market

- Market growing but competition in mainstream lending likely to remain
- Attractive under-served segments

Consumer credit

- Emerging growth in Personal Contract Purchase / rental market in auto finance
- Historically low unemployment supporting credit quality

SOURCE: GDP and unemployment rate forecasts: average of OBR, BoE, NIESR, IMF, OECD, EU Commission, Reuters consensus and BoI forecasts; interest rates: Bloomberg as of 7 June 2018

Evolving banking landscape

Changing customer behaviours, preferences and expectations

Technology-led opportunities including Open Banking

Efficiency as a critical competitive advantage

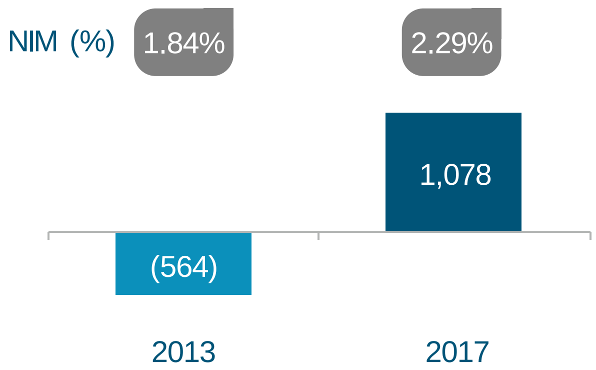
Regulatory framework

Ireland's National Development Plan; Brexit

Rising interest rates

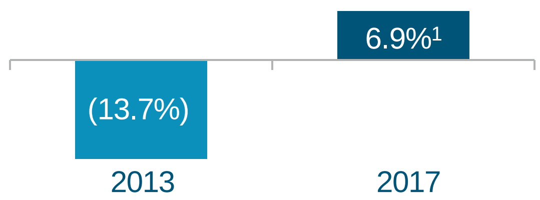
From restructuring phase to growth phase

Sustainable profitability



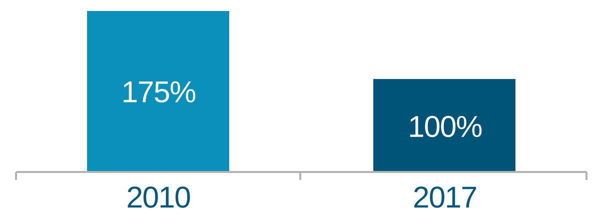
Underlying profit before tax (€m)

Improved returns



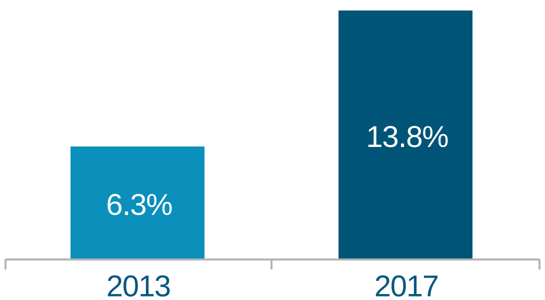
RoTE (%)

Funding base transformed



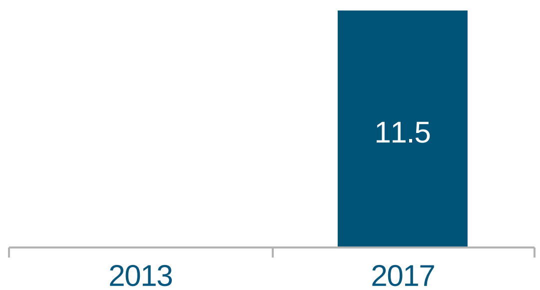
Loan to deposit ratio (%)

Robust capital position



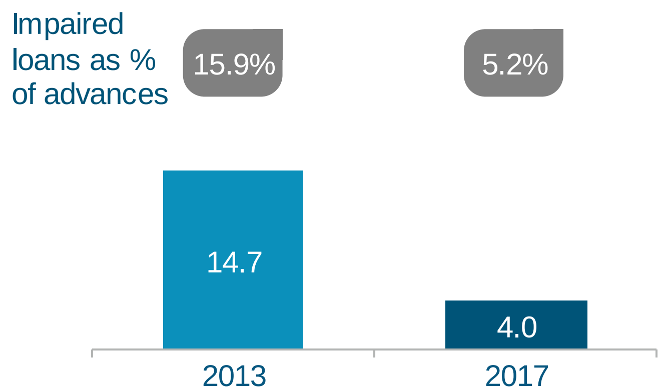
Fully loaded CET1 ratio (%)

Dividends recommenced



Dividends per share (c)

Asset quality substantially improved



Impaired loans (€bn)

[1] See appendix for calculation

Strong businesses with clear competitive strengths in attractive markets

Bank of Ireland

Retail Ireland	Corporate Banking	Markets and Treasury	Retail UK
Bank of Ireland; New Ireland Assurance	Bank of Ireland Corporate Banking	Bank of Ireland Global Markets	Post Office Money; Bank of Ireland UK for Intermediaries; Northridge Finance; AA; First Rate
Largest lender to the Irish economy	**Ireland's leading corporate bank**	**Strong track record of prudent risk management**	**A diverse portfolio of profitable businesses**

Assessment

- Proven track record in credit risk management is a competitive advantage
- Underinvestment in technology, inefficiencies in functions and processes
- UK liabilities priced to secure liquidity
- Need to improve services and experience for our customers
- Attractive home Irish market for investment of capital

Opportunity

Pivoting bank to capture growth opportunities

Accelerating and broadening transformation

Three strategic priorities

Transform the Bank

Serve Customers Brilliantly

Grow Sustainable Profits

Transform the Bank: accelerating and broadening scope; investment increasing to €1.4bn from €0.9bn

Culture

Purpose: 'Enabling our customers, colleagues and communities to thrive'

Core values: Customer Focussed; One Group, One Team; Agile; Accountable

Systems

Transforming core and customer facing technology**; pivoting investments** to unlock **customer benefits** sooner

Business model

Simplified organisation; portfolio shape; renegotiated strategic sourcing arrangements

Target outcomes

- Cost base to reduce to c. €1.7bn in 2021
- Absolute cost level declining year-on-year to 2021
- Income growth
- Strengthened culture

What's changed

- Core banking is progressing well and delivering
- Expanding IT investment in customer initiatives
- Investing in business model initiatives to drive efficiency

Serve Customers Brilliantly: investing in customer propositions, distribution channels and brand

Embedding voice of customer in our businesses

Investing in digital and physical channels

New brand strategy

Target outcomes

- Significant improvement in customer satisfaction and advocacy
- Straight through processing; digital journeys
- API foundation for Open Banking
- #1 for customer experience and brand in Ireland

Grow Sustainable Profits: unlocking growth in our Irish business

Retail Ireland

Corporate Banking

Markets and Treasury

Target outcomes

- National Champion Bank in Ireland with selective international diversification
- Leading supporter of house building and home buying in Ireland
- Building out wealth and insurance business
- Loan book growth in Retail Ireland of c. 20% by 2021; Corporate Banking + €4bn (c. 50% in Ireland)

Grow Sustainable Profits: committed to UK and focussed on increasing returns

Focussed on increasing returns

- Investing in businesses that are generating above-hurdle returns
- Improving returns in businesses with potential to meet return and efficiency hurdles
- Repositioning: credit card portfolio / wind down of legacy branch assets

Target outcomes

- Lower cost of funding, acquisition and servicing
- New propositions targeting under-served customer segments
- Loan book growth in UK of c. 10% by 2021
- Increase in RoTE from low single digit today to high single digit by 2021

2021 financial targets

Improved profitability

RoTE in excess of 10%

Efficient business

Cost base of c. €1.7bn in 2021

Robust capital position

CET1 ratio in excess of 13.0%

Sustainable dividends

Dividend payout ratio of c. 50% over time

Retail Ireland

Gavin Kelly
CEO, Retail Ireland

Ireland's leading retail and commercial bank

Divisional overview

- Ireland's **largest lender** with a **unique customer franchise**
- **#1 or #2** market share in all principal product lines

Competitive strengths

- **Diversified income** from a **loyal customer base**
- **Extensive distribution network**
- Ireland's **only bancassurer**

Market context and opportunity

- Strong **economic environment**
- Rising **credit formation** and growing **personal wealth**
- Attractive demographics supporting **future market growth**

Strategic initiatives

- Unlocking **growth:**
  - Supporting **house building** and **home buying**
  - Building out **wealth and insurance** business
- Improving **customer experience** and driving **efficiency**

Ireland's largest lender with a unique customer franchise

>2 million
customers
across Consumer, Business and Wealth

€5.3bn
lending in 2017
largest lender to the Irish economy

1 in 3
payments
in Ireland

Retail Ireland

- **Consumer**
- **Business**
- **Wealth**

Extensive distribution network

- **265** branches
- **c. 1,650** self-serve devices
- **>2,800** front line staff[1]

- **>1,000** staff out in the community, including specialists:
  - **250** business
  - **275** wealth

- **>650k** monthly touchpoints via multi-channel contact centre
- **15m** via digital channels

- **>3,000** enterprise and community events last year
- **15** innovation spaces across the country supporting growth

- **Partnerships** through brokers and strategic relationships

[1] Front line includes branch staff and consumer / business contact centre staff

Retail Ireland divisional financial overview

Key financial metrics (2017)

Retail Ireland		
	Customer loans	€35bn
	Customer deposits	€44bn
	Underlying PBT[1]	€818m
	AUM	€18bn
	Embedded value of New Ireland Assurance	€855m

- **Largest lender in Ireland:** strong market share in residential mortgages and business lending
- **Stable funding base:** historically strong deposit franchise with 29% market share; liquidity available in Ireland to support funding of loan book growth
- **Commercial discipline:** strong track record of pricing and risk discipline
- **Growing assets under management:** well positioned for further growth capturing the strong wealth creation in Ireland

[1] Underlying PBT does not reflect allocation of Group Centre and other reconciling costs and non-core items

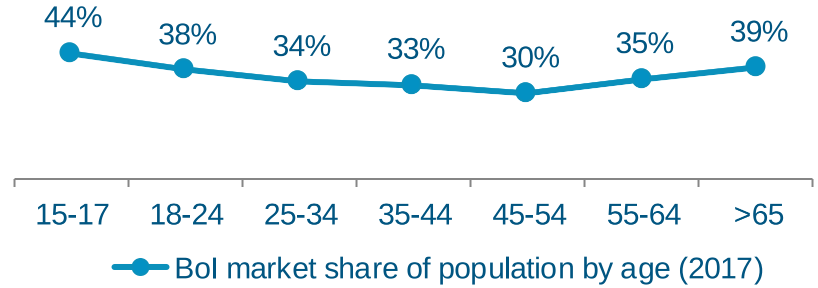
Consumer: growing digital customer base, extensive product reach

Strong customer relationships

1.7m
active customers with average tenure 15 years

84%
have a current account

Leading market shares across age segments



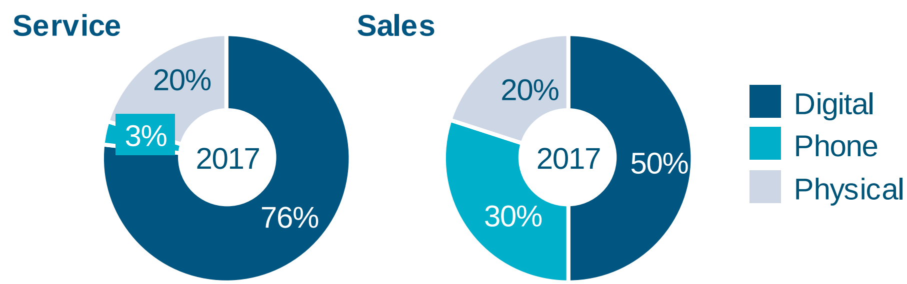
Growing preference for direct channels

79% digitally active current account base

>250%
increase in mobile users 2012 – Q1 2018

Customer transactions by channel

(% of total transactions)

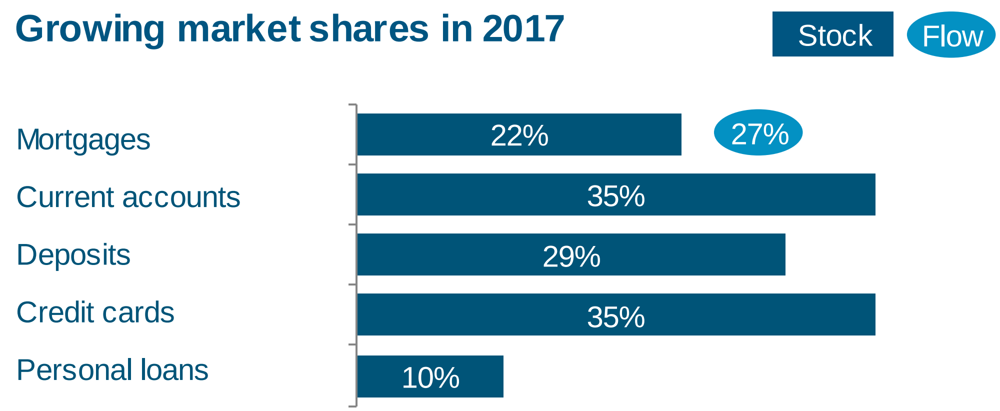


#1 or #2 market share in all principal product lines

21% CAGR
new lending growth (2013-2017)

3 in 4
new mortgages sourced from customer base

Growing market shares in 2017



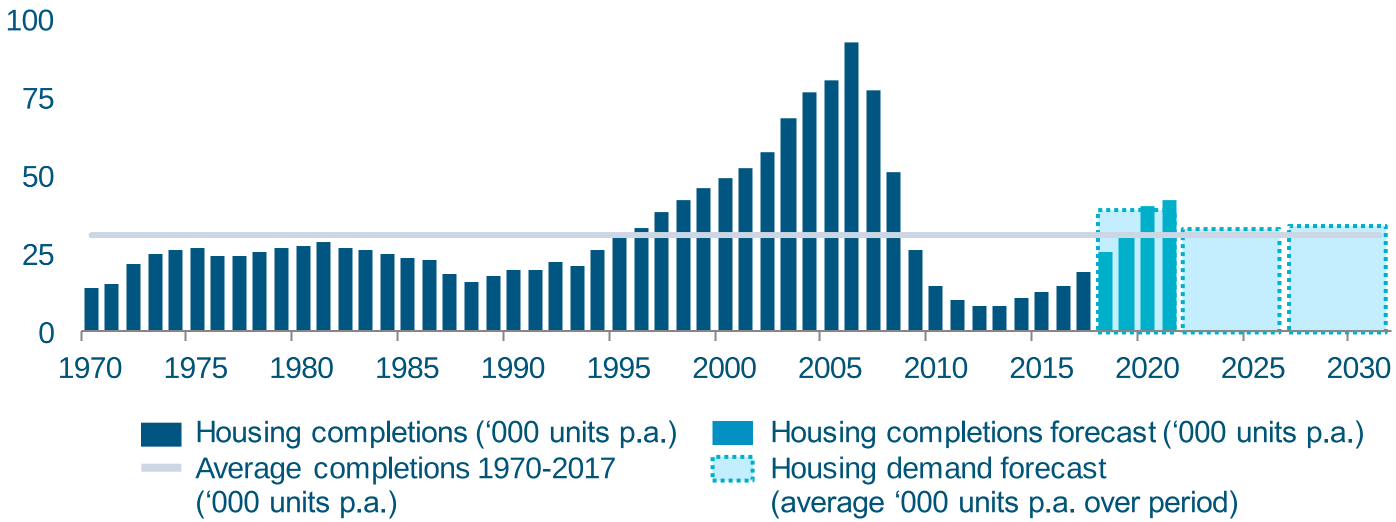
SOURCE: BoI internal data 2017

Consumer: positive economic outlook

Outlook

- **Housing supply increasing to meet demand:** 19k units completed in 2017 vs low of 8k in 2012/13; household credit growth turned positive in H2 2017
- **Consumer confidence growing:** +6.2% year-on-year Q1 2018
- **Employment growing:** 2.23m persons employed, up 13% since 2013
- **Favourable demographic fundamentals:** 40% of population under 30, driving household formation and medium term housing demand

House building returning to historical average



Opportunity

€14.0bn
new mortgage market expected by 2021
(up from €7.3bn 2017)
CAGR 17%

€4.1bn
new personal lending market expected by 2021
(up from €3.5bn 2017)
CAGR 4%

SOURCE: macroeconomic data: CBoI; completions: Department of Housing, Planning and Local Government; supply/ demand forecasts: Sherry Fitzgerald Research; lending forecasts: BoI internal forecasts

Business: Ireland's leading bank for business and enterprise

Longstanding customer relationships

200k
SME customers

87%
current account penetration

- Loyal customers: average tenure of **17 years**
- 95% of small business loans fulfilled through **direct channels**

Helping businesses to thrive

Sector specialists
average experience of 20 years

National Enterprise
programme

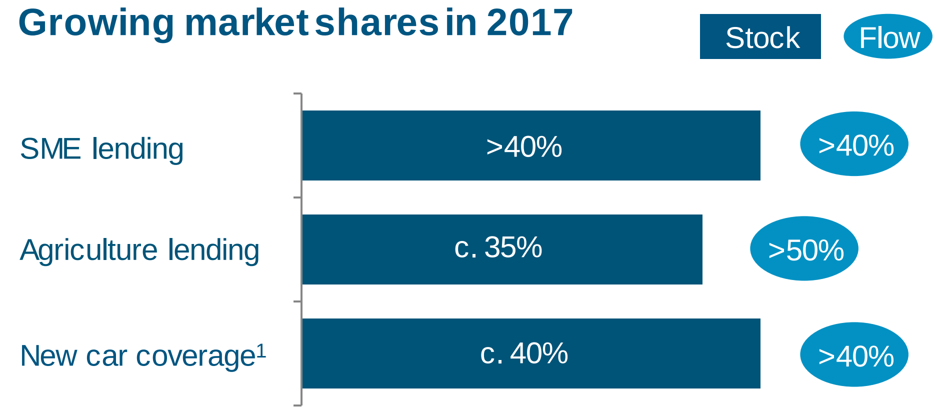
- **250 mobile business advisors;** 100 direct lending specialists
- 15 innovation spaces **fuelling growth**
- Ireland's leading **business portal:** thinkbusiness.ie

Ireland's largest lender to businesses

11% CAGR
new lending growth (2013-2017)

13
asset finance motor franchises

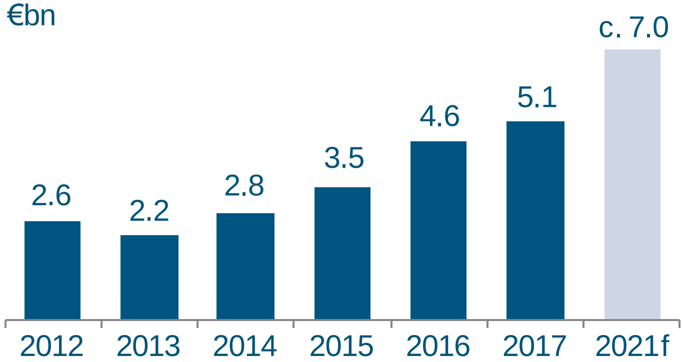
Growing market shares in 2017



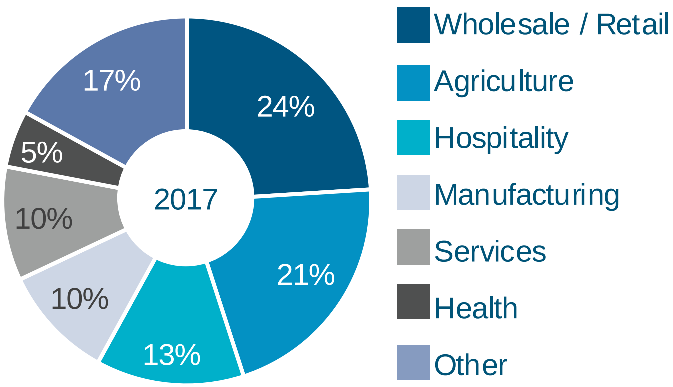
[1] Franchises cover c. 40% of the new car market
SOURCE: BoI data, all as at end 2017

Business: diversified portfolio positioned for growth

SME market annual gross new lending



BoI's diversified SME portfolio



42% of market lending stock[1]; positioned for growth

Market outlook

- Positive **trading environment:** two thirds of businesses on a **growth trajectory**
- **Credit growth** turning positive notwithstanding Brexit uncertainties
- ESRI estimates **30% investment gap** for Irish SMEs

Sector-specific growth outlook

- **Wholesale / Retail:** growth supported by increase in domestic demand: store revamps delivering sales growth of 5-10% p.a.
- **Agriculture:** dairy sector represents highest growth potential in agriculture; milk production +9% in 2017
- **Hospitality:** 50% increase in revenue per room 2013-16; investment continues, supported by increasing visitor numbers
- **Manufacturing:** positive outlook building on 55 months' growth; lending increased by 10% in 2017; medium term growth expected to continue

Opportunity

€7bn

new SME lending market expected by 2021

(up from €5bn 2017)

CAGR 9%

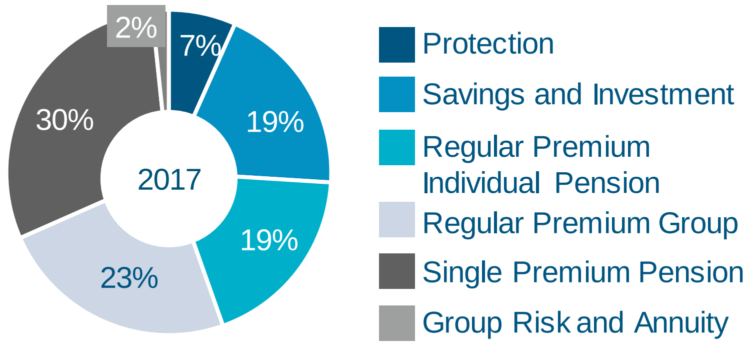
[1] Excludes asset finance

SOURCE: SME market annual gross new lending: CBoI Business Credit and Deposits, March 2018, including property; portfolio split: BoI internal data; SME lending outlook: BoI internal sector outlook; all as at end 2017

Wealth and insurance: Ireland's only bancassurer

Serving customers for >100 years

Comprehensive product portfolio

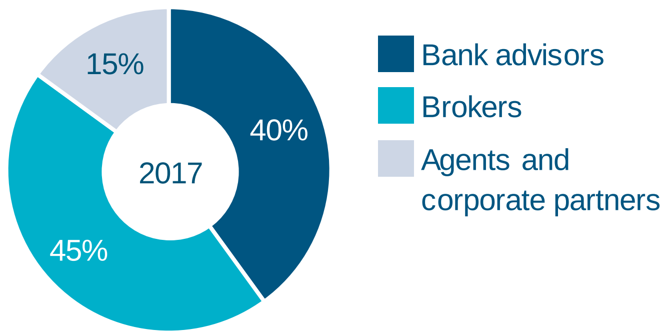


New Business APE

- **Broad range of products** across wealth and insurance
- **c. 500k customers, 580k policies**
- **c. 20%** life and pensions **market share**
- **General insurance** distributor

Proven distribution capabilities

Diversified channel strategy



- 30% of bank sales through **direct channels**
- **Diversified broker base:** >750 brokers
- **Partnerships** with FBD and Post Insurance (An Post)
- Advisors have **>14 years average experience**

Consistent track record of strong profitability

>35%
growth in AUM since 2012

>€100m p.a.
profitability for last five years

- **c. €18bn** AUM
- Embedded value **€855m**

SOURCE: BoI internal data, all as at end 2017

Wealth and insurance: significant growth opportunities

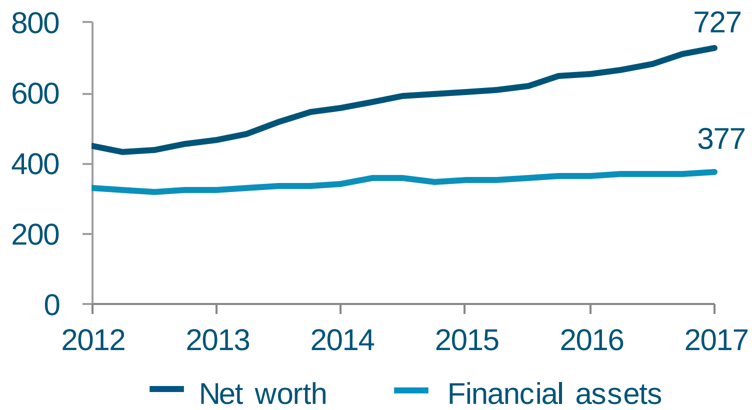
Key market trends

- Favourable Irish demographics, rising incomes and employment; **growing household net worth** (+62% since 2012)
- **Emerging appetite for risk and diversification** in affluent segments
- Growing scale of **pension demand,** driven by shift from **defined benefit to defined contribution** and in anticipation of **auto-enrolment**

Market insights

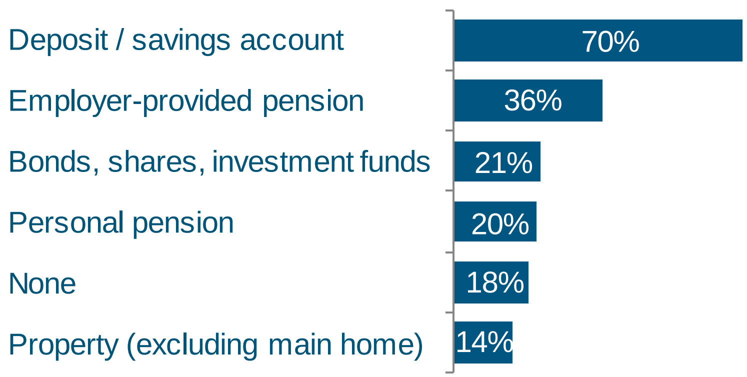
Growing household net worth

€bn



Low penetration of wealth products

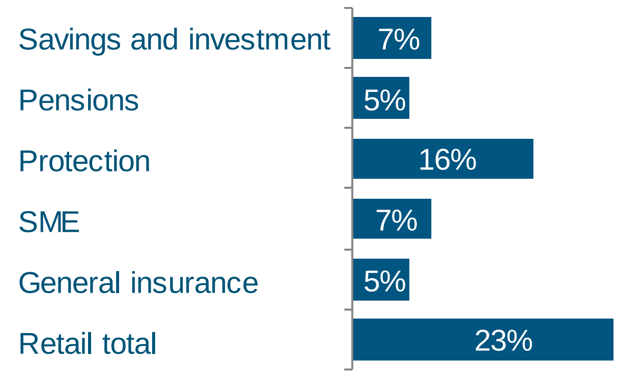
Percentage of Irish households holding product, 2018



Opportunity

Under-penetrated bank base

Penetration of qualifying BoI customers, 2018[1]



> €2bn

Life and pensions APE expected by 2021 (up from €1.4bn 2017)

CAGR 10%

> €215bn

Pension AUM expected by 2021 (up from €160bn 2017)

CAGR 8%

[1] As at April 2018; general insurance figure is for full customer base

SOURCE: CBoI Quarterly Financial Accounts Q4 2017; BoI Economic Pulse Feb 2018

Ambition and strategic priorities

Ambition

National Champion Bank in Ireland

Transform the Bank	Serve Customers Brilliantly	Grow Sustainable Profits

Building on…

- Leading distribution network
- Strong digital adoption across sales and service
- Simplification of products and processes; excellence in digitisation and robotics
- Streamlined front line organisation
- Serving customers around product needs
- Under-penetration in some product areas
- Solid reputation, inconsistent service

Going to…

- Digitally enabled bank; best mobile experience
- Straight through processing; digital journeys
- #1 for customer experience and brand
- Colleagues enabled to serve customers brilliantly
- Propositions built around 'life moments'
- Increased penetration across all products and segments
- Differentiated through our presence in the community

Transform the Bank

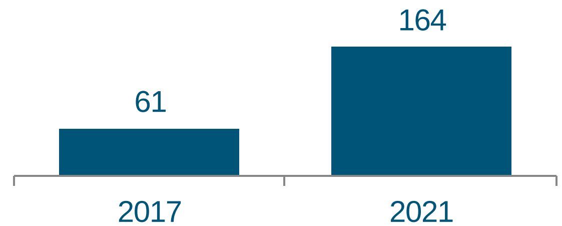
Initiatives	Key actions and outcomes
Automate and simplify customer journeys	• Drive **Brilliant Basics** programme; continuous process improvements • Redesign and digitise **high-priority journeys** • Extensively deploy **AI and robotics**
Continue investing in our branches and contact centres	• Upgrade service in **branches;** reallocate **staff to increase front line by 16%** to improve customer experience • Upgrade **contact centre** platform – leverage data, CRM and automated service; focus on **advice**
Invest in our people	• Improve **service excellence** capabilities via training and development • Increase allocation of FTE to **customer-facing mobile** roles • Enhance **digital tools and processes;** increase advisory time

Driving efficiency

Improved customer experience scores

Reduced cost to serve

Full-service branches



Employee engagement

Best-in-class

Serve Customers Brilliantly

Initiatives	Key actions and outcomes
Leverage technology transformation	• Upgrade online functionality and launch **mobile app** in H1 2019; new look and feel; personalisation tools • Building API foundations for **Open Banking**
Life moment propositions	• Leverage deep **customer understanding** to create targeted solutions that meet customer needs at key 'life moments' • Deliver **proactive campaigns** and follow-up advice in targeted segments; **increase penetration**
Champion enterprise and financial wellness	• **Support enterprise** and increase **financial literacy:** events, mentorship, knowledge and tools • **Promote financial inclusion:** age-friendly banking, vulnerable customer support

Increase in mobile app functionality in H1 2019

+50%

Improved customer satisfaction and advocacy

Increased average product holding

Financial literacy

+20%

increase in hours committed to financial literacy training

Grow Sustainable Profits

Initiatives	Key actions and outcomes
Grow mortgage and consumer lending	• Re-enter **broker market** selectively in Q4 2018**;** deploy award-winning **UK mortgage platform;** maintain **pricing discipline** • Personal **loans via mobile app** during 2019
Maintain #1 business bank position	• Selectively grow scale and build expertise in **under-penetrated and growth sectors:** agriculture / food, manufacturing, property • **Enhance product suite,** e.g., agriculture switcher, working capital and digital motor franchise integration • Use sector expertise and advisors to support **business growth**
Target wealth and insurance opportunities	• Digital **advice platform** • Target under-penetrated **bank customers and corporate brokers** • Grow **insurance lines** via new digital propositions and partnerships

Increase in mortgage loan book

Increase in business banking loan book

Increase in wealth AUM

Distinctive franchise – well positioned to grow

Deep **customer relationships** with an **extensive footprint** at the heart of Irish communities

Proven **distribution capabilities;** a diversified, **universal business** delivering joined-up solutions

Operating in a **growing market;** demographic trends create **strong demand** for our solutions

Strategic initiatives and investment to improve customer experience, driving **growth** in **customer and business value**

c. 20%

overall growth expected in loan book by 2021

Wealth and insurance

Corporate Banking

Tom Hayes
CEO, Corporate Banking

Bank of Ireland Group

Ireland's #1 corporate bank

Divisional overview	• **Leading corporate bank,** strongly positioned across all core business segments • **Diversified business model** with consistent pricing and risk discipline
Competitive strengths	• **Low cost, agile, scalable** business model • Deep and longstanding **customer relationships** • Highly experienced **management team**
Market context and opportunity	• **Ireland:** strong home market with supportive economic backdrop • **Leveraged Acquisition Finance:** strong loan volumes in Europe and US • **UK:** large, mature market with significant growth opportunity

Strategic initiatives	• Retain **established market-leading positions** in core markets
	  ◦ Support **housing and economic development** in Ireland
	  ◦ Scale **UK** business
	• Selectively expand **Leveraged Acquisition Finance** in Europe and US

Combined Corporate Banking and Markets and Treasury financial overview

Income statement (2017)

Net interest income	**€575m**
Other income	€231m
Total income	**€806m**
Operating expenses	(€205m)
Operating profit	**€601m**
Impairments	(€48m)
Underlying PBT[1]	**€553m**

Balance sheet (2017)

Net customer lending	**€13.3bn**
Deposit volume	**€10.3bn**

[1] Underlying PBT does not reflect allocation of Group Centre and other reconciling costs and non-core items

Leading corporate bank, strongly positioned across all core business segments

#1
corporate bank in Ireland

c. 400
employees

c. €13bn
drawn volumes in 2017

Corporate Banking

Corporate Banking Ireland

60%
of Ireland's top companies banked

>500
customers

c. €4.2bn
lending volumes

Property Finance

85%
commercial investors

>175
customers

c. €4.4bn
lending volumes

Leveraged Acquisition Finance

5
international offices

>200
customers, c. 85% business from repeat sponsors

c. €3.3bn
lending volumes

Corporate Banking UK

5
specialist industry sectors

>50
customers

c. €1.0bn
lending volumes

Positive market fundamentals

Corporate Banking Ireland

- **Positive** economic outlook
- Growth in **M&A and investment** (143 deals in 2017, with a value of c. €15bn, c. 6% year-on-year increase)
- **Significant FDI** (substantial investment flows into Ireland over past 3 years)

Property Finance

- **Enduring investor appetite for Irish real estate** (investment market volumes >€2bn p.a.)
- Growing **employment** and positive **demographics**
- **Increasing number** of professional / institutional players

Leveraged Acquisition Finance

- **Strong leveraged loan volumes** in Europe and US (+30% in the last 3 years)
- **Stable / positive economic outlook** in all geographic markets

Corporate Banking UK

- Large, mature market with **significant growth opportunity** (c. 7,000 mid-market companies in the UK)
- Potential **Brexit** headwinds

SOURCE: M&A and investments: Mergermarket database; property investment volumes: JLL Ireland Investment Market Report Q1 2018; leveraged loan volumes: S&P 2014-17 sponsored primary volumes (LBOs, refis, recaps)

Corporate Banking Ireland – full-service bank with longstanding customer relationships

Key strengths

Customers

- **Longstanding, deep relationships:** 60% with tenure >10 years; minimal customer churn
- Relationships with **c. 60% of Ireland's top companies**

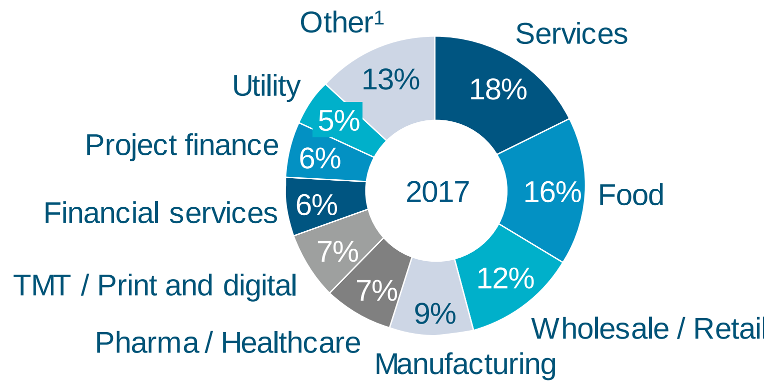
People

- Highly professional and experienced **relationship managers**
- **>25 year average tenure** of senior management
- **Country-wide coverage** via regional hubs

Products / capability

- **Full-service relationship** bank
- Average **5 products held per customer**
- #1 bank for **foreign direct investment**
- **Agent bank** for 60% of all deals
- **Senior debt** focus; disciplined approach to **pricing** and **risk**
- Proven **sector** capabilities

Diversified portfolio



Enabling our customers to thrive

netwatch GROUP
Undisclosed Amount
Sole Lender

DAWN MEATS
Undisclosed Amount
Agent and Coordinating Bank
Refinance and Acquisition Facilities

enet Open Access Networks
€100,000,000
Joint Lead Arranger, Agent and Security Trustee
Senior Debt and Acquisition Facilities

glanbia INGREDIENTS IRELAND LIMITED
Undisclosed Amount
Agent
Refinance and Acquisition Facilities

[1] All sectors <4%

Property Finance – domestic leader

Key strengths

Customers

- **>5 years** average length of customer relationship
- **2017 new business sources: 65%** domestic**; 35%** international investors

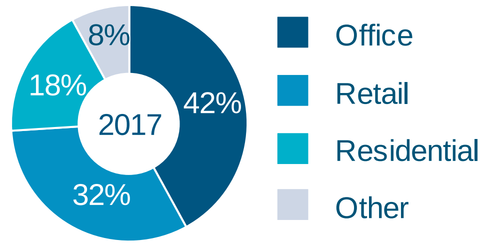
People

- **60 specialist staff**
- **4 regional hubs** through Ireland and UK
- **Experienced senior management team** – average sector experience of 15 years

Products / capability

- **€4.8bn** lending commitments
- **90%** commercial investment bias
- **€1.5bn** Group-wide fund for housing and student accommodation
- **Senior debt** and **mezzanine** capability

Supporting every segment of the market



Our disciplined approach to Property Finance

- **Risk management:** clearly defined risk appetite limits; frequent policy reviews; avoidance of over-concentration risk
- **Operating model:** centralised customer management; specialised staff skill-set
- **Loan structures:** cash-flow focus; low gearing and LTVs; robust controls
- **Due diligence:** frequent valuations with regular scrutiny and challenge; in-house real estate advisory

Enabling our customers to thrive

GSA	Ardstone Homes	I-RES	hibernia REIT
€79,000,000 Purchase and development of 800 student accom. units	**€70,000,000** Construction finance to deliver 500 residential units	**€350,000,000** Participant in Syndicated RCF Facility	**€400,000,000** Joint Arranger, Agent and Security Trustee

Leveraged Acquisition Finance – leading player in targeted mid-markets

Key strengths

Customers

- **c. 200 lending relationships**, principally as lead arranger; limited concentration risk (average exposure c. €20m)
- Longstanding **private equity relationships** – 85% repeat transactions

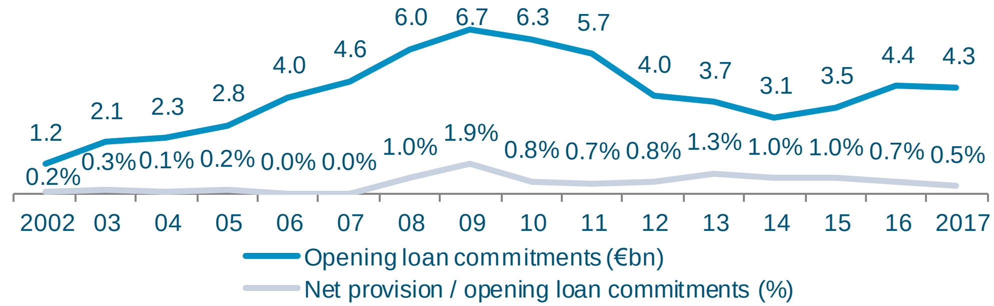
People

- **c. 100** staff; >20 year **track record; >15 year average tenure** of senior management
- **5 international offices** – Paris, Frankfurt, London, New York, Chicago

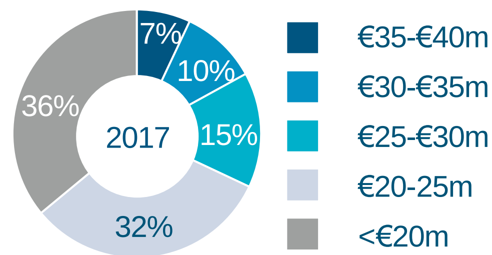
Products / capability

- **Proven capabilities** to lead, arrange and distribute
- Attractive **margins** and **fee income** within disciplined **risk appetite**
- High **sectoral and geographic diversification** – 57% Europe / 43% USA
- **Senior debt, mezzanine** and **uni-tranche** capability
- **Consistent contributor to Group profits**

Excellent loan loss history through the cycle



Diversified portfolio; no significant concentration



Enabling our customers to thrive

March 2017
Audiotonix
Leveraged buy-out by Astorg
£172,000,000
Senior Debt Facilities
Sole Bookrunner, Mandated Lead Arranger and Agent

December 2017
Fintrax Group / Planet Payment
Refi and acquisition by Eurazeo
€420,000,000
Senior Debt Facilities
Mandated Lead Arranger and Bookrunner

January 2018
CCC Competence Call Center
Leveraged buy-out by Ardian
Amount undisclosed
Super Senior Facilities
Mandated Lead Arranger, Facility and Security Agent

Corporate Banking UK – niche, sector-focussed business positioned for growth

Key strengths

Customers

- **Five specialist sector** teams
- **Collaborative banking partner**
- **58 relationships** (42 new since January 2017); average loan size €29m

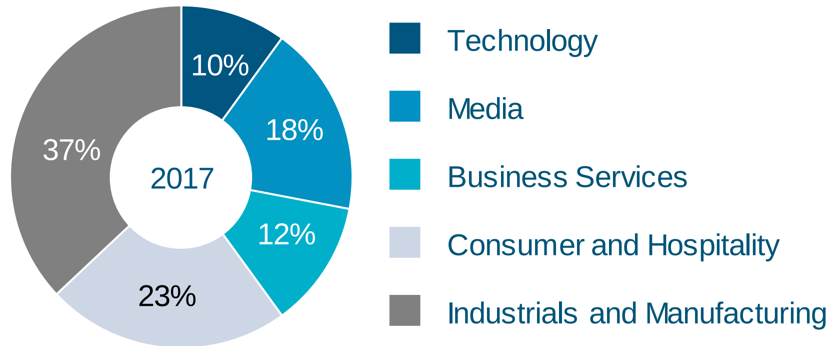
People

- **32 staff**; 12 senior industry specialists
- **150 years of sector experience** in the UK market – proven ability to originate high quality, liquid, profitable assets
- Locations in **London** and **Manchester**

Products / capability

- **Senior debt** with **ancillary opportunities** in global markets, leasing and commercial invoice discounting
- **Scalable** platform with highly **disciplined approach** to risk

Selective focus on specialist sectors



Enabling our customers to thrive

May 2018
Restore plc
£160,000,000
Participant in Senior Debt Facility

April 2018
cineworld CINEMAS
$4,375,000,000
Participant in Senior Debt Facility

April 2018
Melrose
£4,500,000,000
Participant in Senior Debt Facility

April 2018
bgl group
£300,000,000
Participant in Senior Debt Facility

March 2018
BBA Aviation
$650,000,000
Mandated Lead Arranger and Participant in Senior Debt Facility

Corporate Banking: positioned for growth while maintaining leadership in domestic Irish market

	Corporate Banking Ireland	Property Finance
Initiatives	• **Maintain #1 corporate bank position in Ireland**	• **Maintain domestic leader position**
Key actions	• Strengthen **dedicated origination** capability • Expand **regional footprint** (Cork, Galway) • Optimise **centralised support unit** to enhance relationship manager capacity • Capitalise on **market-leading position** and **best-in-class reputation**	• Leverage **close relationships with key developers** with residential development pipelines • Support **social housing** requirements • Provide development and longer term finance for **large-scale build-to-let** operators
Outcomes	**c. €4bn growth in total loan book by 2021 – c. 50% Ireland**	

Corporate Banking: positioned for growth in selected international markets

	Leveraged Acquisition Finance	Corporate Banking UK
Initiatives	• **Expand and grow our Leveraged Acquisition Finance business globally**	• **Grow our sector specialist Corporate Banking UK business**
Key actions	• Continue to leverage **market leading position** and **sponsor relationships** to achieve targeted growth in Europe and US • Expand **Leveraged Acquisition Finance** geographic footprint • Continue to **strengthen and grow sponsor relationships** in US and Europe	• Build on **successful 2016 re-entry** into the **large, mature UK market** with significant growth opportunity • Maintain **expert teams** and expand **geographic footprint** • Continue to focus on **target sectors** with attractive underlying fundamentals • Grow **ancillary income** opportunities – FX, hedging and leasing
Outcomes	**c. €4bn growth in total loan book by 2021 – c. 50% international**	

Markets and Treasury

Sean Crowe
CEO, Markets and Treasury

Expert management of financial risks for customers and the Group

Divisional overview	• **Global Markets:** leading **treasury service provider**, supporting and leveraging the Group's customer franchise to generate **capital-light income** • **Group Treasury:** optimising the **Group's balance sheet** and safely managing **treasury risks**
Competitive strengths	• **Stable and experienced** team with **deep customer relationships** • Strong track record of **innovation, thought leadership and effective risk management**
Market context and opportunity	• Operating in a **changing but supportive** environment • Well-positioned to **leverage growth** in our core economies and in the Group
Strategic initiatives	• **Extending our reach** to new customers via **technology platforms** and **solutions provision** • **Support growth** in Group balance sheet

Supporting customers – market leading treasury service provider

Leveraging the Group's franchise to serve c. 700 corporate and institutional customers, c. 30k business customers and c. 100k personal customers

Foreign exchange

Interest rate hedging

Treasury solutions

- **Offices** in Dublin, London, Belfast and Connecticut
- Growing digitally active customer base: **62% of FX** business transacted online, including FXPay
- Opportunity to deliver customer value through **FinTech partnerships**
- Providing **insights** and **solutions** for more complex treasury needs

Valuable, sustainable customer relationships

Consistent source of non-capital intensive income

Managing the Group's treasury risks

Supporting the Group

- **Centralised treasury risk management**
- Managing risk using **simple and liquid** products
- Proven track record of **innovation and balance sheet optimisation**
- **Transformed funding base** available to support growth
- Well-positioned to benefit from **growth and higher rates**
- Strong track record of **prudent treasury risk management**

Credit-Risk Transfer Shows Bank of Ireland's Capital Ingenuity
A credit-risk transfer effective Dec. 29 on a 3 billion-euro ($3.2 billion) portfolio of Irish corporate and business loans is expected to boost Bank of Ireland's fully loaded CET1 ratio by about 40 bps, highlighting an innovative approach to bolstering its capital position.

SOURCE: Bloomberg January 2018

Innovation

1st

Synthetic Credit Risk transfer

Winner of IFR's 2017 **European Financial Bond Deal of the Year**

Group HoldCo – corporate restructure

New Ireland Assurance – largest financial reinsurance transaction in the Irish market

Bancassurance capital management – €160m Tier 2

Europe Financial Bond: Bank of Ireland's dual-tranche Tier 2
transaction was one of many blow-out trades in the European financials market this year, but the issuer's astute approach in uncharted waters set it apart. "It was a standout trade as it met both the issuer's and investors' objectives in a way that had not been done before"; "it showed significant thought leadership"

SOURCE: IFR December 2016

Liquidity available to support growth

Key balance sheet metrics

€bn

	FY 2017
Customer loans	76
Liquid assets	24
BoI Life and other assets	23
Total assets	**123**
Customer deposits	76
Wholesale funding	13
BoI Life and other liabilities	25
Shareholders' equity	9
Total liabilities	**123**

Long term senior debt ratings

Agency	HoldCo rating	GovCo rating	HoldCo / GovCo rating outlook
S&P	BBB-	BBB	Positive
Moody's	Baa3	Baa1	Positive
Fitch	BBB	BBB	Stable

2017 position

Strong liquidity ratios

- Net Stable Funding Ratio: 127%
- Liquidity Coverage Ratio: 136%
- Loan to Deposit Ratio: 100%

Customer deposits (c. €76bn)

- Customer deposits fund 100% of customer loans
- Predominantly sourced via retail distribution channels
  - Ireland: c. 265 branches, c. 29% market share[1]
  - UK: Post Office, AA and NI originated deposits
- Capacity to leverage franchise to grow deposits

Wholesale funding (c. €13bn)

- Modest wholesale funding requirement
- 'HoldCo' structure established in July 2017
  - Tier 2 issuance of £300m and $500m in September 2017 (IFR 2017 European Financial Bond Deal of the Year)
  - Future senior and junior debt issuance for MREL purposes expected to be issued from HoldCo
- Covered bond programme is rated AAA by Moody's and DBRS

[1] Retail Ireland deposits market share, stock

Supporting and leveraging growth in our core economies and the Group

Strong **customer franchise** built on expert **advice** and customer **service**

Operating in **favourable environment,** evolving with customers and leveraging economic growth

Managing **treasury risks** safely with capacity to fund future balance sheet **growth**

Consistently generate **capital-light income**

Retail UK

Des Crowley
CEO, Retail UK

BoI committed to the UK market – strategy is focussed on increasing returns

Divisional overview	• Distribution of consumer products via **partners with trusted brands** (e.g., Post Office and AA) • **Universal bank** in **Northern Ireland** • **Strong niche businesses** in attractive segments (e.g., Northridge)

Strategic challenge	• **Low single digit RoTE**
	  • **Challenged returns** in certain mainstream mortgage segments and credit cards
	  • **Higher funding cost** vs high street banks
	  • **High operational cost base** reflecting scale of business and investments in partnerships and propositions

Market context and opportunity	• **A large, attractive and adjacent market** offering growth and **diversification opportunities** beyond Ireland • **Competitive** market environment

Strategic initiatives	• **Increase RoTE from low single digit today to high single digit by 2021:**
	  • **Investing** in growth in profitable, high-performing businesses
	  • **Improving** position through **reducing costs of funding, customer acquisition and servicing**
	  • **Reposition credit cards** portfolio and wind down **legacy branch portfolios**

Retail UK offers diversification beyond Ireland with distribution through trusted brands and intermediaries

Over 40
years in Great Britain

c. 3 million
customers across own brand and partnerships

€22.6bn
total mortgage book

€18bn
retail deposits

Retail UK

Partnerships

11.5k branches
through Post Office partnership

#1 travel money
business in the UK (FRES)

3.3m AA members

Northern Ireland

A distribution network of **28 branches**, including six business centres

>190 years
since first branch opened

c. 300k customers
across Northern Ireland

Niche Businesses

€1.6bn book
in Northridge, 148k customers

€900m new business
lending in 2017 (Northridge)

#1 independent bank-owned motor finance lender[1]

[1] Third consecutive year winning at "The Car Finance Awards"

Significant presence in the UK and distribution partnerships with trusted brands[1]

- **1825** – First branches in Northern Ireland
- **1971** – First branch in GB opens in London
- **1994** – First Rate (FX) partnership begins
- **1997** – Acquisition of Bristol & West (share of UK mortgage)
- **1999** – Car and Asset Finance subsidiary launched (Northridge Finance)
- **2002** – FRES JV established (consumer and wholesale FX)
- **2004** – PO partnership begins (extended in 2008, renewed in 2012)
- **2010** – EU plan – deleveraging
- **2010** – BoI UK plc established (separate legal entity, 100% owned subsidiary)
- **2014** – Re-entry into intermediary mortgages (Bank of Ireland UK for Intermediaries)
- **2015** – AA partnership launched
- **2016** – PO personal loans launched
- **2017** – Acquisition of Marshall Leasing (car finance)
- **2017** – Asset purchase of American Express UK Wholesale Currency Services

[1] The AA was confirmed as the UK's most trusted brand, followed by the Post Office in second place, in RKCR/Y&R *BrandAsset Valuator* survey in 2014

Partnerships with the Post Office

	POST OFFICE Money		First Rate Exchange Services	
Our business	**€16bn** deposit book	**940k** savings customers	**#1** travel money business, 24% market share	**Perpetual joint venture** with Post Office (50% share)
	€6.6bn lending book (mortgages, cards, loans)	**700k** lending customers		
Strengths and capabilities	**11,500** branches across the UK	**93%** of population within 1 mile of a branch	Innovative **Multi-Currency** pre-paid card	**Same-day** online currency collection
			c. 380k active Multi-Currency / Travel Money Cards	

Post Office relationship provides a flexible business model

Ongoing renewal

- **2004**: **10-year** joint venture established
- **2008**: **Contract renewed** for a further 4 years to 2018
- **2012**: **Contract** renewed to 2023
- **2018**: **Current contract runs to minimum 2023**

Scope: products and services

BoI exclusivity

- Savings ✓
- Loans ✓
- Mortgages ✓
- Credit cards[1] ✓
- Current accounts ✓
- Investments ✓
- Pensions ✓

Excluded from contract

- Counter services for other banks ✗
- Insurances ✗

Split of responsibilities between BoI UK and Post Office

Bank of Ireland UK – The Partnership Bank | Post Office Money

- Manufacture
- Pricing
- Marketing
- Distribution
- Sales
- Servicing

Distinct responsibilities and shared common goals

[1] Undertaking a strategic review of entire UK credit card business including front book and back book options

Partnership with AA, universal bank in Northern Ireland and strong niche businesses in attractive segments

	AA partnership	Bank of Ireland Northern Ireland	Northridge FINANCE	UK mortgage business
Our business	**€0.4bn** deposit book **€0.4bn** lending book (cards, loans, mortgages) **Multi-product distribution** partnership to 2025 **c. 130k** active customers	**Full service** retail and business banking franchise **c. 300k** customers (c. 8% share of PCA)	**€1.6bn** book size with 148k customers **€900m** record new business lending in 2017 **c. 1,500** dealers / brokers	**€22.6bn** total mortgage book **Distribution** through PO, AA and own brand **85% coverage** of intermediary market
Strengths and capabilities	**3.3m** member base with strong brand affinity **Established** financial services provider with co-located teams	**Efficiency programme** delivered in 2017 **Strong SME franchise** (c. 15% share of BCA, c. 22% share of SME business lending)	**Marshall Leasing** provides enhanced capabilities **#1** independent bank-owned motor finance lender[1]	**Award-winning** 'Rome' multi-channel mortgage platform **Operational capacity** for future growth

[1] Third consecutive year winning at "The Car Finance Awards"

Retail UK business includes separately regulated and capitalised BoI (UK) plc, and legacy branch portfolios in wind down

Dec 2017	Product	Retail UK	Of which: BoI (UK) plc[1]	Of which: Legacy branch (wind down)
Gross lending	Mortgages	**€22.6bn**	€18.1bn	€4.5bn
	Commercial lending	**€3.0bn**	€1.9bn[2]	€1.1bn[3]
	Consumer unsecured	**€1.1bn**	€1.1bn[4]	-
	Northridge	**€1.6bn**	€1.6bn	-
	Total	**€28.3bn**	**€22.7bn**	**€5.6bn**
Deposits	NI and GB deposits / current accounts	**€5.3bn**	€5.3bn	*Group funded*
	PO and AA deposits / current accounts	**€16.1bn**	€16.1bn	
	Other	**€2.6bn**	€2.6bn	
	Total	**€24.0bn**	**€24.0bn**	

[1] LTD ratio of 105% and CET1 ratio of 14.7% as at year end 2017 [2] Of which €0.4bn in wind down [3] Of which €0.5bn in wind down [4] Includes €0.7bn credit cards

Strategic challenges impacting RoTE

Income Statement (2017, €m)	
Net interest income	579
Other income	9
Share of JVs / associates	39
Total revenue	**627**
Operating costs	(409)
Impairments	(115)
Total costs	**(524)**
PBT[1]	**103**

Strategic assessment

Interest income	• Challenged returns in certain mortgage segments and credit cards given market dynamics
Funding cost	• Higher funding cost vs high street banks; growth in UK lending primarily retail deposit funded
Other income / JVs	• FRES (travel money joint venture) generating strong flow of capital-light income
Operational cost	• High operational cost base reflecting scale of business, and investments in partnerships and propositions
Cost of risk	• Favourable credit experience in UK consumer market with low impairments; legacy impact from run down commercial portfolio

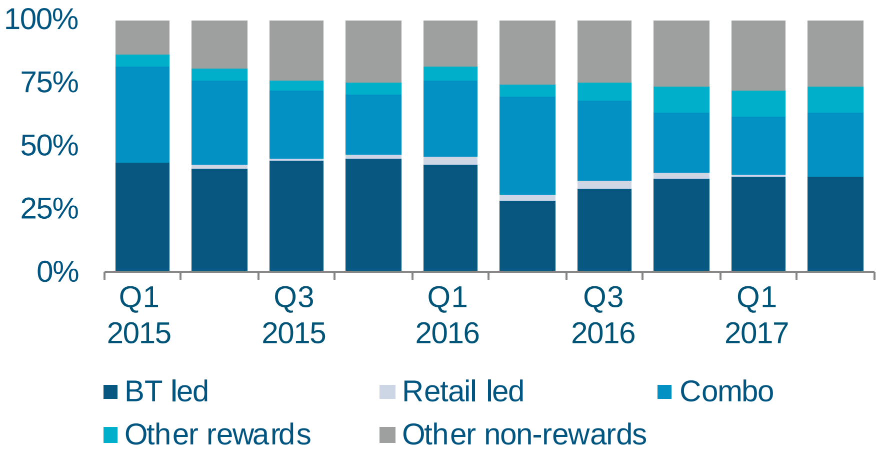
Low single digit RoTE

[1] Underlying PBT does not reflect allocation of Group Centre and other reconciling costs and non-core items

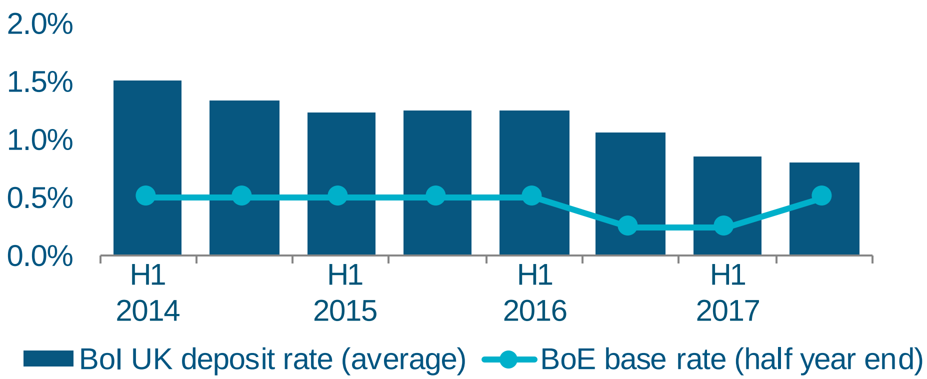
Credit card market dominated by large players; deposits: large, stable market

Market trends

Credit card acquisition mix, quarterly



BoI UK deposit rate vs BoE base rate



Observations and outlook

Credit card market dominated by large banks and supermarkets / loyalty plays

- **Growth to continue but at reduced pace;** aggressive pricing to continue
- **Challenging economics** from dominance of balance transfers and interchange elimination

£1.3tn deposit market (including current accounts) continues to grow, albeit rate of growth declining

- **BoI UK margin improvement** in last 2 years with continued focus
- **Gradual rise in interest rates** expected
- **Proposition innovation** expected in an Open Banking environment

Implications for BoI

- Disadvantaged by **small scale in manufacturing**
- Near-prime business **outside risk appetite**
- **Significant investment requirement** arising from a complex regulatory change environment

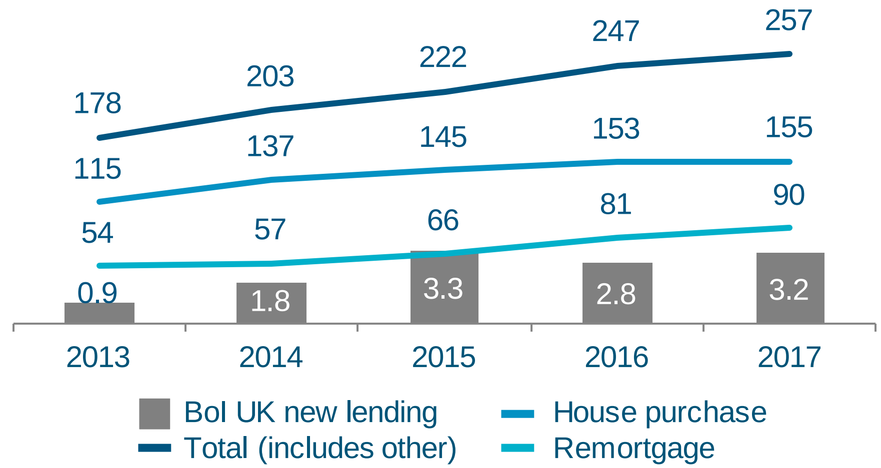
- Opportunity to make further progress in **reduction in cost of funds**

SOURCE: UK Credit Card Payments Study (Data: Full 2014-17 industry issuers); BoE

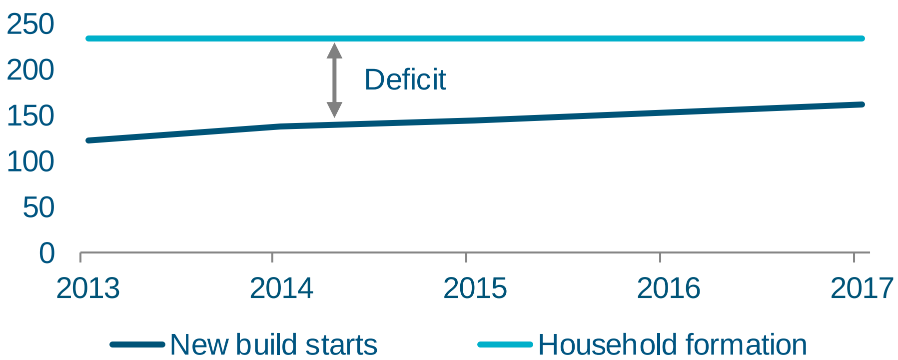
Mortgages: large, attractive market; competition in mainstream lending likely to remain challenging

Market trends

Mortgages new lending, £bn p.a.



Housing supply vs demand, '000 p.a.



Observations and outlook

Market continues to grow but competition in mainstream lending likely to **remain challenging**

Housing supply not meeting demand

- **Government policy support** likely to improve supply in medium term
- **Policy changes impacting** BTL market

Broad set of attractive segment opportunities

- **First-time buyers** market demonstrating significant growth
- **Identified under-served growth segments** e.g., later in life, self-employed

Implications for BoI

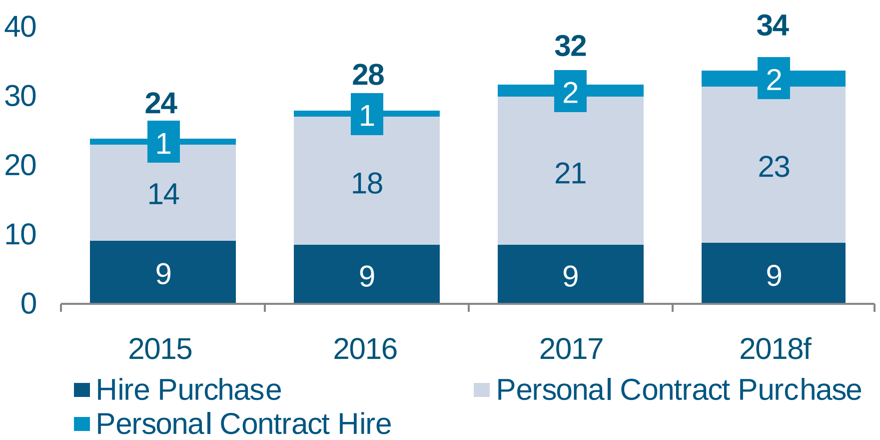
- Overall market size presents **opportunity**
- Opportunity to reposition away from mainstream remortgage market and develop propositions that satisfy **needs of under-served segments** with **attractive returns**
- Enhancement of **retention propositions and processes** imperative
- Opportunities to **diversify distribution** and enter **other segments**

SOURCE: Mortgage new lending: Bank of England via Haver Analytics; new build starts: Department for Communities and Local Government; new household formation: ONS

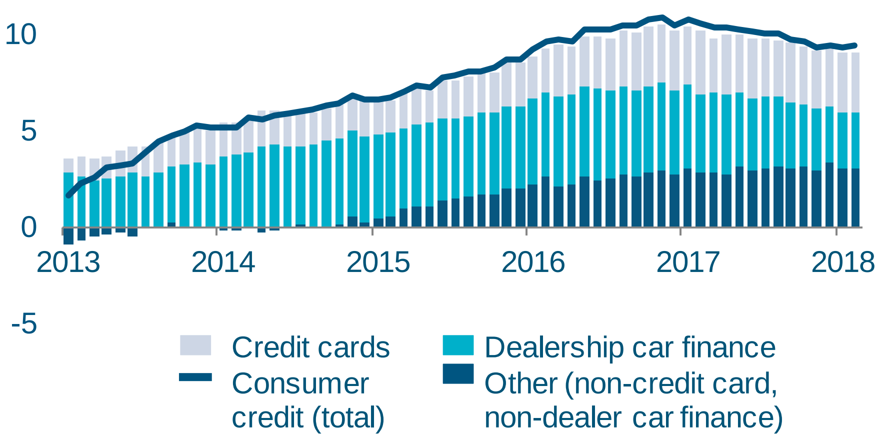
Auto finance: emerging growth in rental propositions; personal loans: continued growth in consumer credit

Market trends

Auto finance new lending, £bn p.a.



Growth in consumer credit, annual % change



Observations and outlook

Emerging growth in PCP / rental market in auto finance

- **New business volumes** in the POS consumer used car market increased by 7% YoY in Q1 2018
- **Personal Contract Purchase (PCP) is currently the dominant product;** emerging growth in Personal Contract Hire (PCH)
- Northridge Finance arrears performance **favourable to industry** (e.g., hire purchase: 0.66% vs industry level of 2.5%)

Unsecured lending forecast to continue growing at a slower rate

- Successful business models leverage **digitisation, straight-through processing** and **customer insight**
- **Low loan loss rates for personal loans** expected to come under some upward pressure from a low base
- Loans portfolios are **low cost to serve** providing sufficient scale is obtained

Implications for BoI

- Opportunity to exploit **full product manufacturing capability** and leverage distribution base
- Opportunity to leverage **AA partnership** synergies
- **Marshall Leasing acquisition** opens penetration opportunity of the **growing rental market**

- Opportunity to leverage BoI **strategic capabilities** e.g., efficient processing and distinctive propositions
- Opportunity to **grow UK book** to >£1bn to achieve economies of scale

SOURCE: Finance and Leasing Association; PWC Precious Plastic 2017

Initiatives underway to double RoTE

Strategic initiatives	Key actions

Invest

Mortgages

- **Manage mix away from mainstream remortgage market**
- Develop **propositions** to satisfy **under-served** segments of the market **with attractive returns**
- Continue to invest in **digitisation / automation**

Personal lending

- Grow **personal lending** book to > £1bn

Northridge

- **Broaden distribution**, including capturing **AA partnership** synergies
- Leverage **Marshall Leasing** to further penetrate growing **vehicle rental market**

FRES

- **Continue to invest in digital capability** to maintain market leading position

Improve

- **Improve returns on lower profitability businesses and products** through actions to:
  - Reduce **costs of funding**
  - Reduce **costs of origination and servicing,** benefiting from the wider Group transformation programme
  - Align drivers of **partnership value**
  - Improve returns in BoI Northern Ireland through **efficiency and digitisation**

Reposition

- **Credit cards:** undertaking a strategic review of UK credit card business including front book and back book options
- Continue **wind down of other legacy lending portfolios**

BoI committed to the UK market – strategy is focussed on increasing returns

UK mortgage business

Northern Ireland

The UK is a **large, attractive and adjacent market** offering **growth and diversification opportunities** beyond Ireland

Distribution via **partners with trusted brands;** universal bank in **Northern Ireland; strong niche businesses** in attractive segments

Strategic challenges presently leading to lower **RoTE** – reshaping the business

Clear actions underway to **increase returns: invest in growth**; **improve**; and **reposition**

c. 10% loan growth by 2021

Increase RoTE to high single digit by 2021

Transform the Bank

Steve Collier
Transformation Programme Director

Bank of Ireland Group

Steve Collier, Transformation Programme Director

My experience

- >35 years banking experience
- Deep expertise driving business-led Transformation (Distribution, Digital and Direct Banking, Operations)
- Leadership of National Australia Bank's Core Banking Transformation (NextGen)

Learnings and perspectives

- Transformation is hard work and requires the right people, level of focus and investment
- Sponsorship is critical
- Change has to be business-led
- Simplification of products, policies and processes are linked
- Leverage proven platforms from trusted partners ('adopt not adapt')
- Programme portfolio must be balanced to anticipate and manage risk

Transform the Bank

Broaden the scope of our transformation

- Culture
- Systems
- Business Model

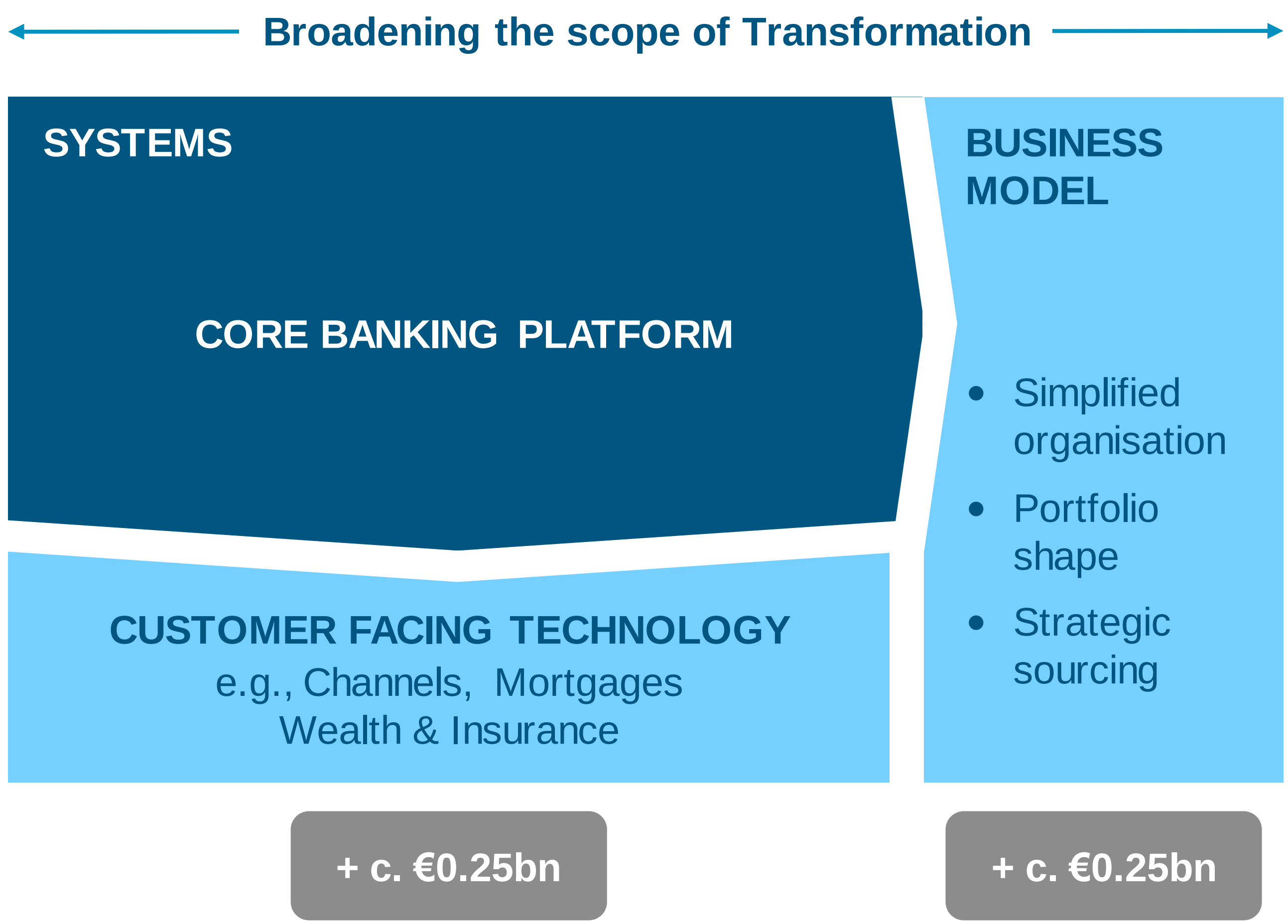
Increasing our investment

- From c. €0.9bn to c. €1.4bn through 2021

Accelerate the benefits

- Support growth
- Improve customer experience
- Drive efficiency

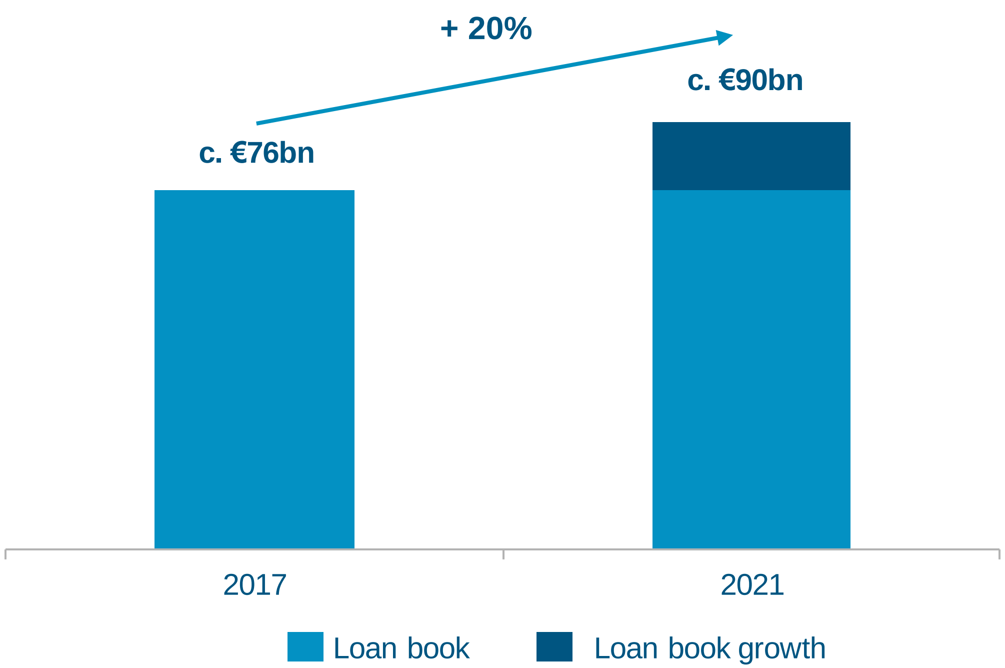
Increasing investment to support growth and drive efficiency



Increased investment supporting loan growth of c. 20% and cost reduction to c. €1.7bn in 2021

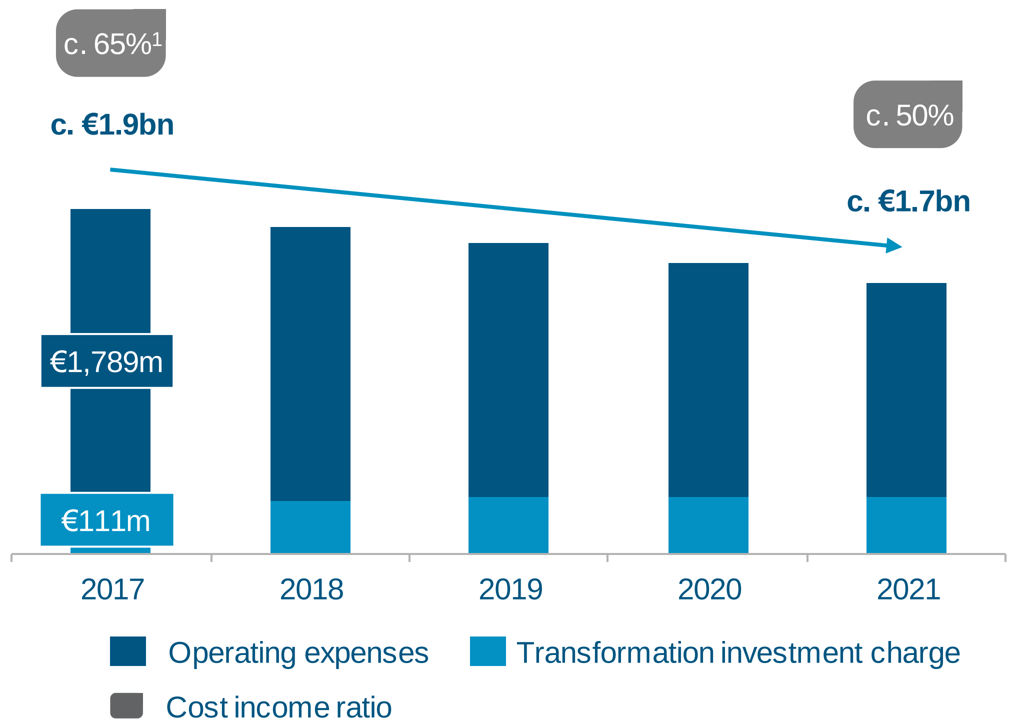
Accelerate the benefits

Support growth



- Unlocking growth in our Irish business
- Group loan book to grow by c. 20% by 2021

Drive efficiency



- Cost base of c. €1.7bn in 2021
- Absolute costs to decrease every year
- Cost income ratio to improve to c. 50% in 2021

[1] See appendix for calculation

Systems Transformation

Culture

Systems

Business Model

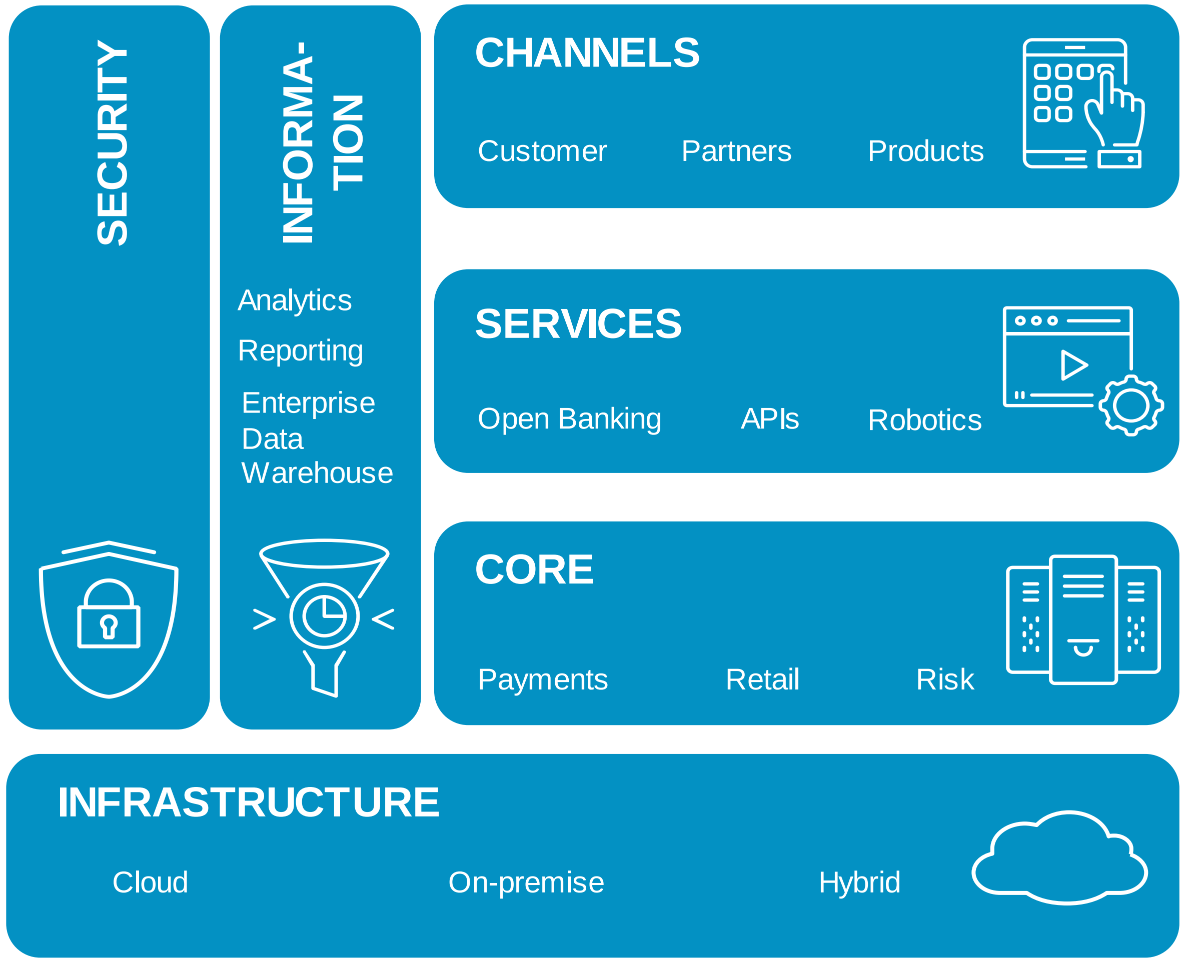
- Transforming core and customer facing technology
- Pivoting investments to unlock customer benefits sooner

Incumbents are constrained by complex legacy; future leaders transform systems across all technology ‘layers’ – core and beyond

From complex, legacy…

- >1k business applications with varying levels of overlap
- Complex, expensive infrastructure spread across c. 4k servers
- Legacy platforms built on old coding languages for ‘branch-based 10am to 3pm banking’
- No longer fit for purpose in 24/7 digital world due to:
  - High cost of IT change
  - Long testing cycles
  - Limited flexibility / resilience

… to flexible and scalable across ‘layers’



Systems Transformation will support growth, improve customer experience and drive efficiency

Example outcomes	What this means in practice
Customer Experience	• Generate market leading customer loyalty and experience • Enable customers to self-serve for key needs
Product	• Serve our customers brilliantly: the right solutions at key 'life moments' • Use new digital capabilities to deliver rapid, frequent innovation
Data and Analytics	• Leverage deep insights around customer behaviour to cross-sell • Segment the portfolio to offer tailored products, propositions
Simplification and Automation	• Rationalise our offering and digitise our processes • Build out our Robotics Centre; use automation to cut repetitive work
Resilience, Stability and Infrastructure	• Protect against threats and outages with a robust system • Provide fast and flexible payment experiences for customers

Delivering customer and simplification benefits while building resilient foundations – our roadmap will evolve

Outcomes	Delivered 2017-18	2019	2020-21 +
Customer Experience		3 Agile, DevOps, 'app factory' delivery model; New Mobile App	Regular updates to expand customer self service options
Product		Deposits & Personal Loans (*friends & family*)	ROI Retail products (*simple first*)
Data and Analytics	1 Single customer record and data model (static data)	• Single view of the customer (*dynamic data*) • Enhanced customer marketing	
Simplification and Automation	2 • Product rationalisation • End-to-End simplification (*UK mortgages*) • Robotics (*repetitive, manual tasks*)	• Simplification of other areas (*e.g., Business Banking*) • End-to-End simplification (*e.g., ROI mortgages*) • Robotics (*complex, unstructured tasks*)	
Resilience, Stability and Infrastructure	• Enterprise Data Warehouse • Core Payments upgrades • Re-platforming of card processing	• Upgrades for business critical applications • Enhanced payments infrastructure (*e.g., SEPA Credit Transfer*)	

1 **Delivered 2017-18**: Data and Analytics – single customer record in place, enables 'Single View of the Customer' functionality

What we have delivered

- Systematically cleansed data and de-duplicated customer records
- Successfully loaded over 2 million single customer records onto Temenos platform
- Built out static structured data leveraging Temenos capabilities
- Core foundations to build comprehensive 'Single View of the Customer'

What it means for the business

- Sophisticated segmentation, credit analysis (e.g., 360-risk view linking cards, savings)
- Personalised customer propositions and targeted marketing
- Customer service teams know and anticipate needs based on history (e.g., cross-sell Wealth)
- More efficient customer service (e.g., one-and-done address change across multiple products)

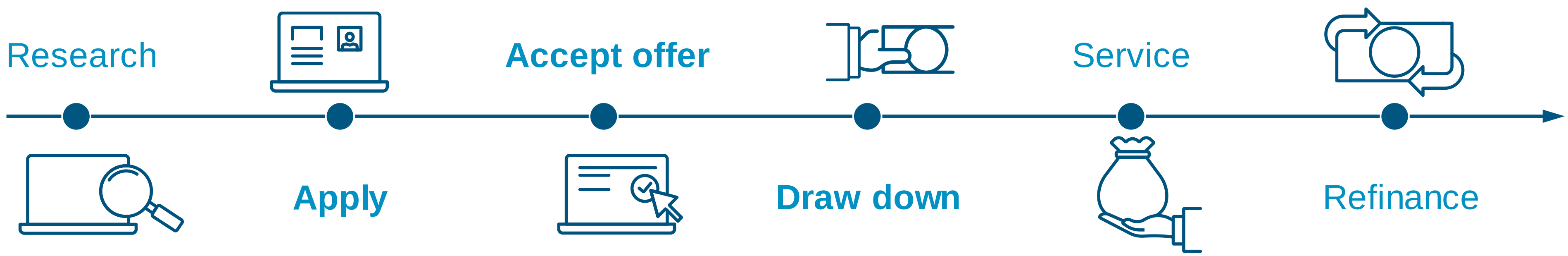
2 **Delivered 2017-18**: Simplification and Automation – UK Mortgage digitisation improves customer experience, origination and cost

What we have delivered

- 100% digital application process for all customers, brokers and partners
- E2E process simplified with fewer hand-offs and clearer case ownership
- Improved transparency (e.g. live application monitoring, email updates, two-way messaging)

What it means for the business

- Top 5 UK lender for ‘Application to Offer’ speed
- Customer journey time reduced by c. 50%
- New customer NPS increased from 31 to 79
- Direct cost per application reduced by c. 35%
- Further cost reduction achievable with additional automation and self-servicing



Now being rolled out in Ireland to support broker channel re-entry

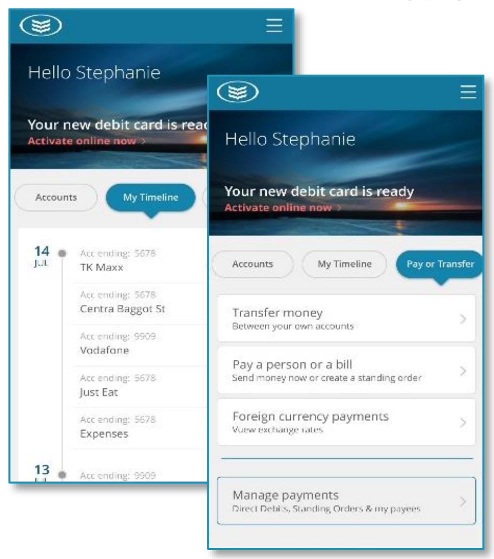
3 **Delivery in 2018-19:** Customer experience – 'DevOps' enabled 'App Factory' to deliver on-going customer enhancements

What we will deliver in the near-term

- New BoI mobile app launch H1 2019 leveraging Temenos Edge capabilities
- Targeting customer 'pain points' (e.g., managing direct debits)
- Includes features previously available on website / in branch (e.g., travel notifications)
- DevOps 'App Factory' working in Agile at scale

What it means for the business

- New features address most frequent customer needs and 'pain points'
- Improved navigation reduces calls to contact centres, enabling more efficient self-service
- Optimised customer journey facilitates application for new offers on mobile
- On-going release cycles improve features and strengthen Agile bank capabilities



Business Model Transformation

Culture

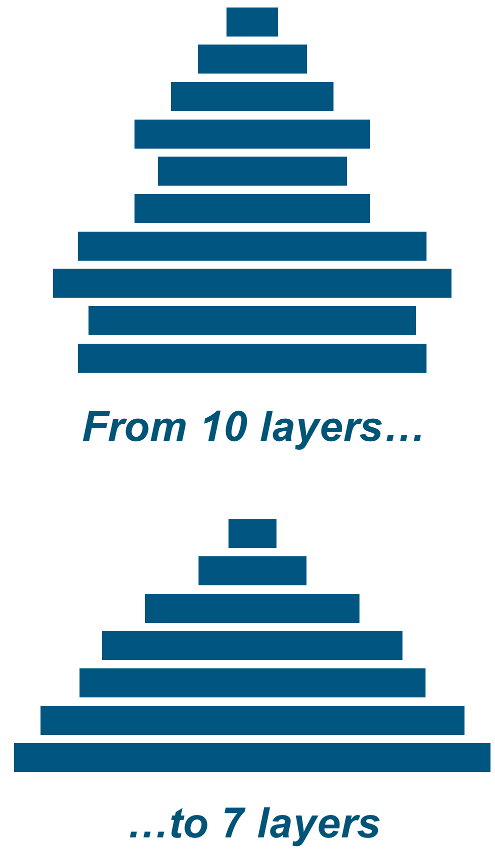
Systems

Business Model

- Simplified organisation
- Portfolio shape
- Renegotiated strategic sourcing arrangements

Simplifying our Organisation – leaner, agile organisation

- Organisation re-designed to get closer to the customer
- Goal to increase proportion of customer facing staff to c. 60%
- Recruitment frozen since 2018 (excluding client-facing roles)
- Head Office Functions zero-based
- 28 Service Centres to be closed in 2018
- Legal entities to be cut by >70% by end 2019
- Disciplined challenge and assessment of all business portfolios



Sourcing Strategically – reduction of third-party spend

1. Reduce demand through better design
2. Reduce number of preferred partners
3. Renegotiate with preferred partners
4. Improve control of demand, over-run
5. Develop and embed market leading expertise

- Contractor fees reduced by c 70%
- Professional fees reduced by c 20%
- Travel costs reduced by c 15%
- Property – reduced number of non-branch locations in RoI and the UK

- *Strong governance to make results sustainable*

Transform the Bank

Broaden the scope of our transformation

- Culture
- Systems
- Business Model

Increasing our investment

- From c. €0.9bn to c. €1.4bn through 2021

Accelerate the benefits

- Support growth
- Improve customer experience
- Drive efficiency

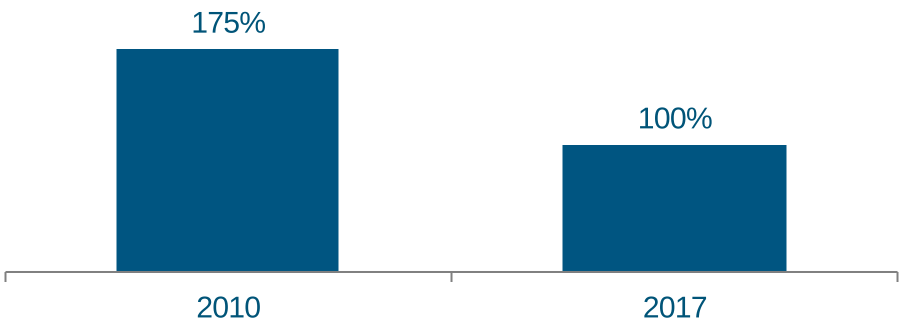
Financial Outlook

Andrew Keating
Group CFO

Track record of delivery

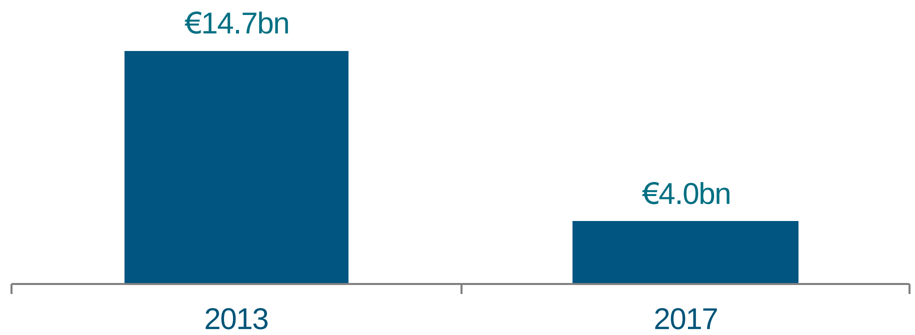
The Group is in a strong financial position and dividends have recommenced

Transformation of funding base



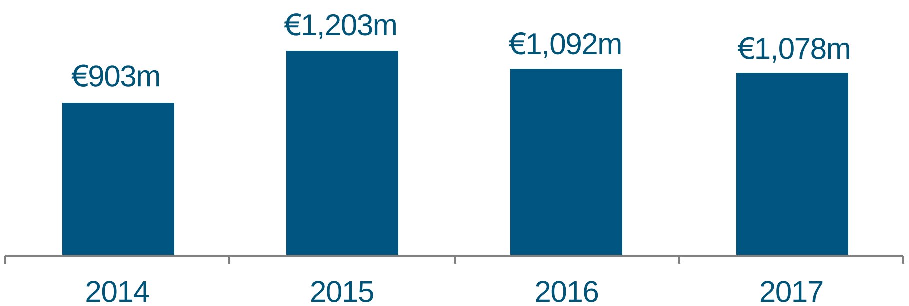
Loan to deposit ratio

Asset quality substantially improved



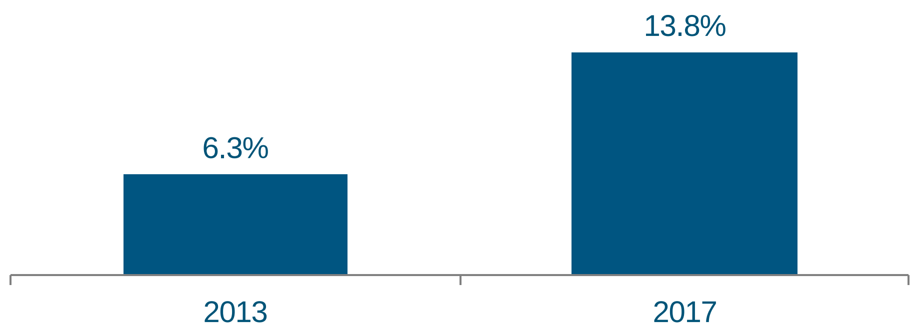
Impaired loans

Return to sustainable profitability



Underlying profit before tax

Robust capital position



Fully loaded CET1 ratio

Summary 2018 outlook – on track

Income	• Expect modest net loan growth; weighted towards H2 • Expect NIM to be broadly in line with exit NIM in 2017 (2.24%)
Operating expenses	• Costs to reduce from 2017 level
Asset quality	• Further improvement in asset quality in 2018 and beyond • Impairment charge of up to c. 20bps
Capital	• Maintain CET 1 ratio > 13% • Dividend to build from 11.5c on a prudent and progressive basis

Key areas of focus to 2021

Opportunities

Income growth

Transformation of cost base

Capital generation, investment and return

Loan book growth – outlook

Loan book growth

	Retail Ireland	Retail UK	Corporate
Dec-17	€35bn	€28bn	€13bn
Guidance	+ c. 20%	+ c. 10%	+ c. €4bn
Loan book growth	**c. €7bn**	**c. €3bn**	**c. €4bn**

- Loan book growth supported by the macro-economic outlook, the quality of our franchises and distribution, and our customer propositions
- c. 65% of loan book growth is expected to be in Ireland; c. 35% through selected international diversification

Capital investment in loan book growth

Loan book growth	c. €14bn
RWA intensity	c. 60%
RWAs	c. €9bn
CET1 @ 13%	c. €1.1bn

Outcome

c. 20%

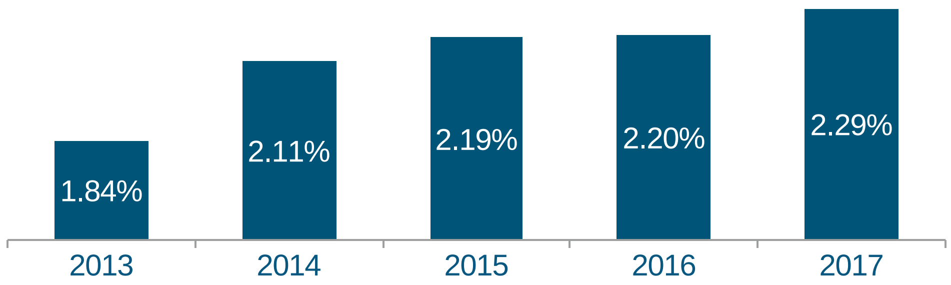
loan book growth 2018-2021

200-250bps

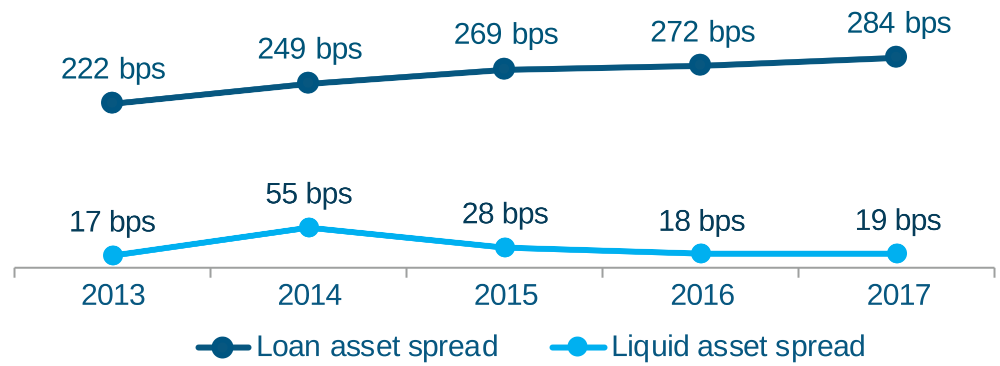
CET1 capital indented to support loan growth

Net interest margin – maintaining strong commercial discipline

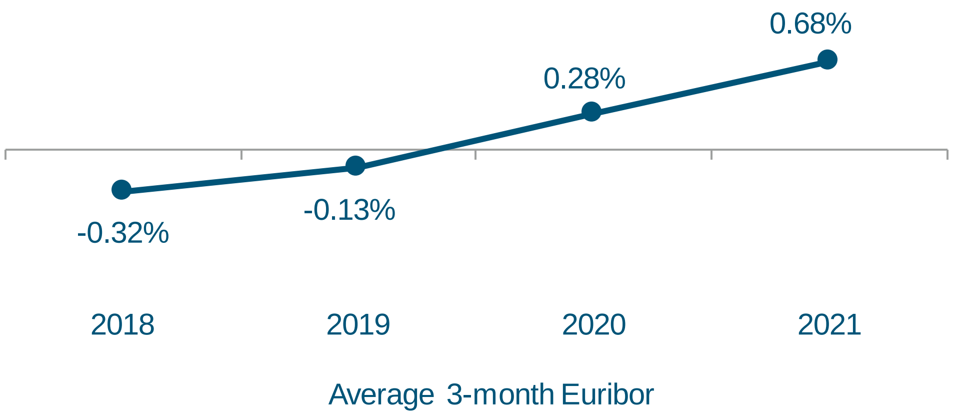
Net interest margin



Net interest margin drivers



Euro interest rates



Key messages

- Proven track record of commercial discipline on pricing
- Manageable competitive pressure will be offset by the benefit of rising interest rate rises from 2019 onwards
- Expect margins to be broadly in line with 2017 exit level of 2.24%

Increasing business income from wealth management and insurance

	FY 2017 (€m)
Retail Ireland	**317**
Bank of Ireland Life	**177**
Retail UK	**1**
Corporate and Treasury	**175**
Group Centre and other	**(8)**
Business income *(22% of Total Income)*	**662**
Additional gains / other valuation items	**139**
Total income	**801**

Outlook

Business income: €662m

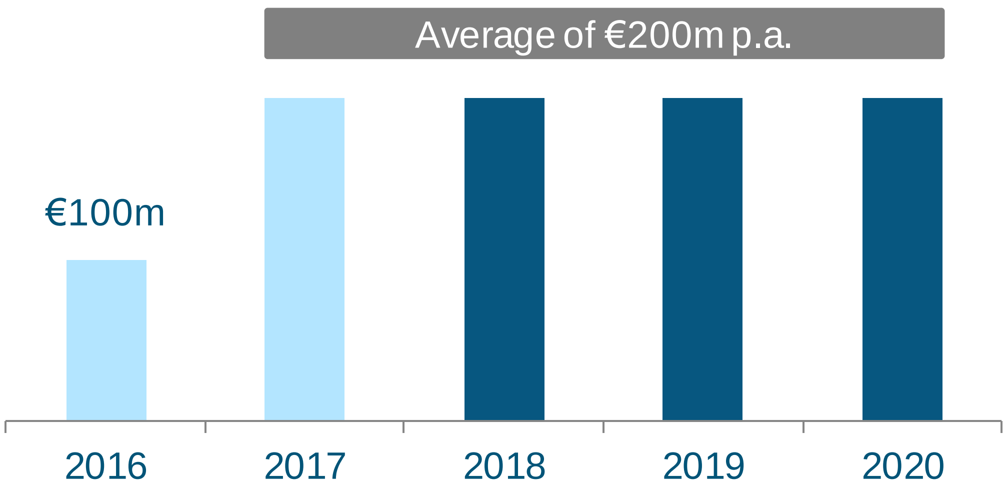
- Expect overall business income to grow on the back of GDP growth
- Increasing fee income from wealth management and insurance
- Continue to represent c. 20-25% of Total Income

Additional gains / other valuation items: €139m

- Additional gains / valuation items occur in normal course of business
- Projections do not assume any additional gains or impacts from valuation items

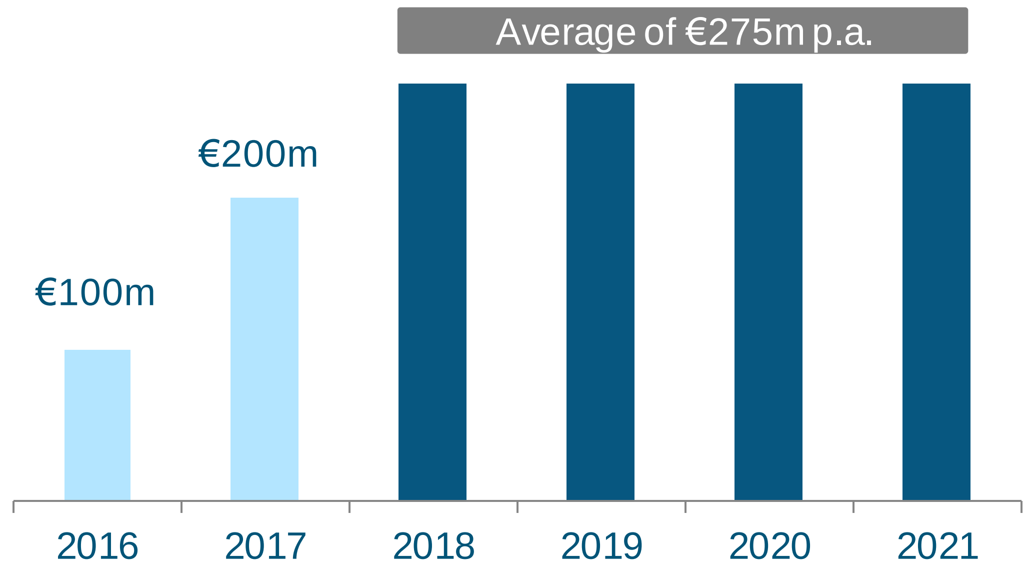
Increasing our investment to support growth and drive efficiencies

From €0.9bn



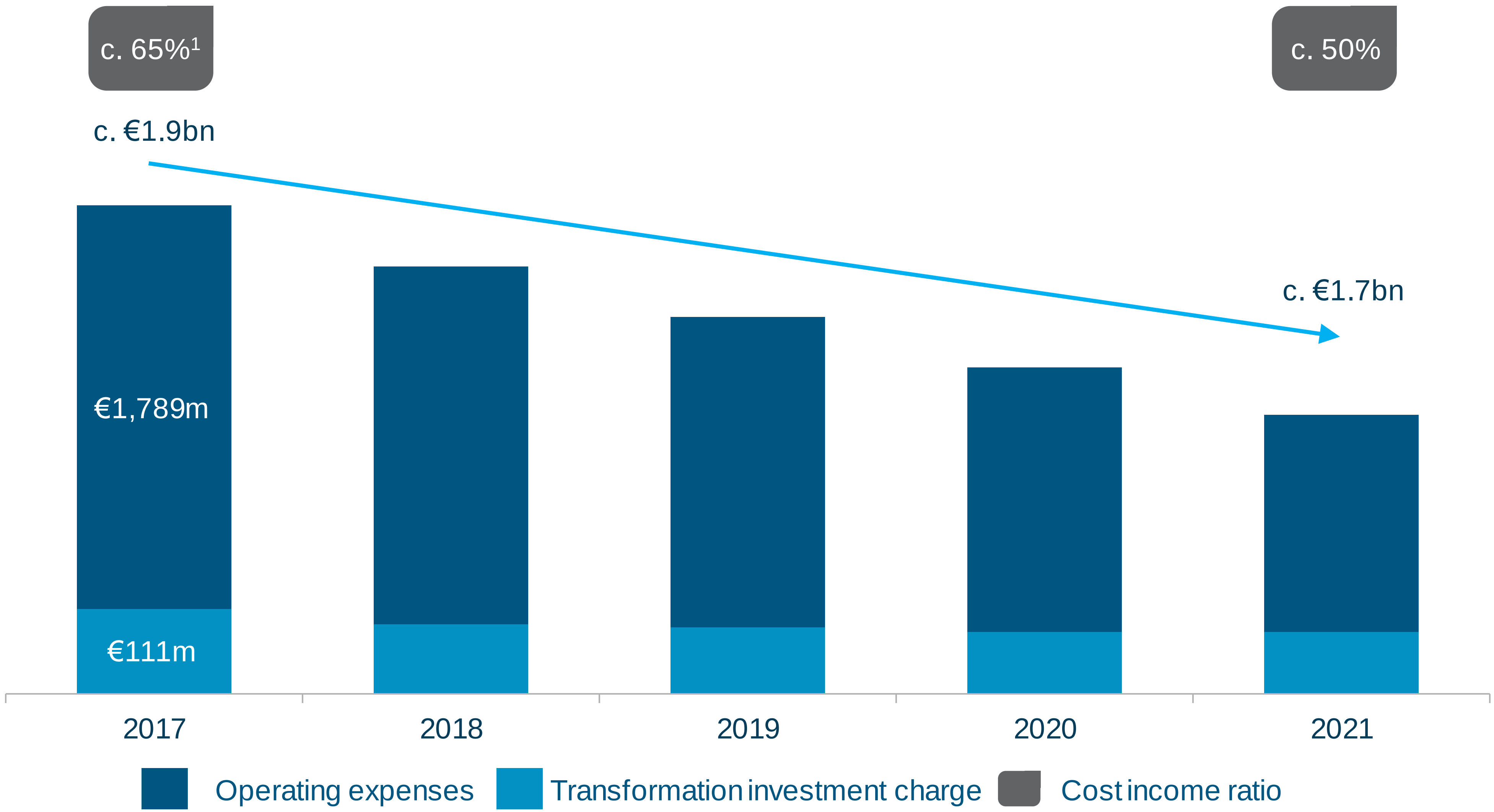
- Scope: Systems
- 2016-20 investment: €0.9bn
- Average CET1 capital investment: c. 35-45 bps p.a.
- Accounting treatment of annual investment (€200m p.a):
  - 50% capitalised as intangible asset
  - 50% charged to the income statement

To €1.4bn



- New scope: Culture, Systems, Business Model
- 2016-21 investment: €1.4bn
- Average CET1 capital investment: c. 50-60 bps p.a.
- Accounting treatment of annual investment (€275m p.a):
  - 40% capitalised as intangible asset
  - 40% charged as Transformation Investment in the Income statement
  - 20% charged as Non-core restructuring costs in the Income statement

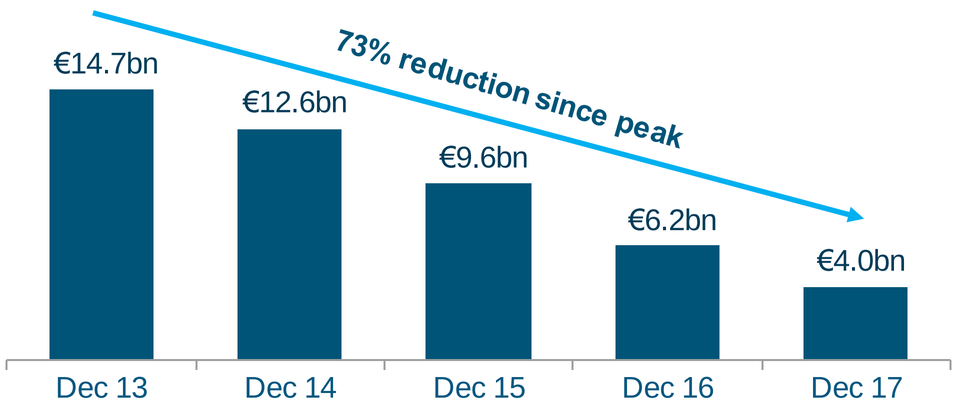
Costs will decrease every year in absolute terms



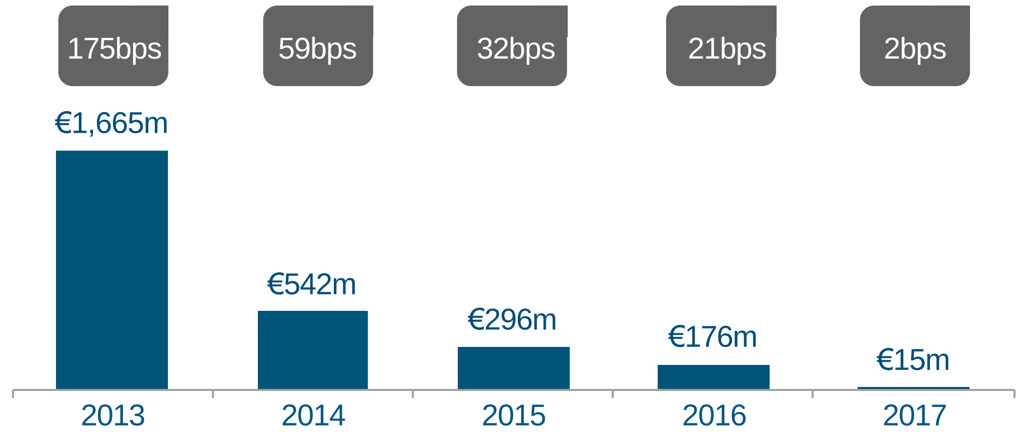
[1] See appendix for calculation

Maintaining our risk appetite discipline

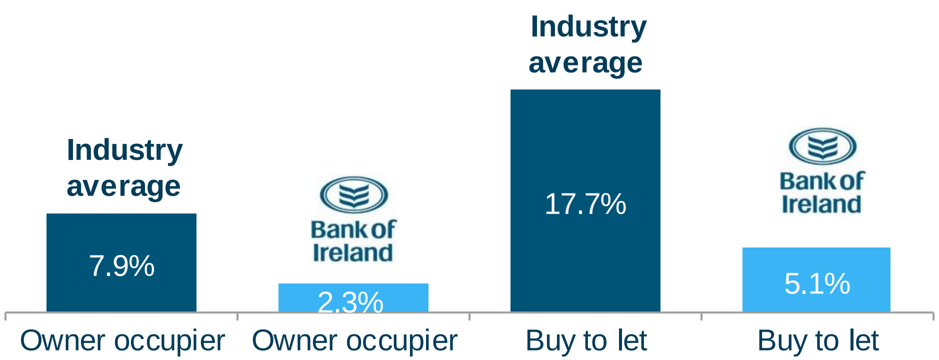
Impaired loans (balances under provision)



Net impairment charge on customer loans



RoI mortgage arrears (>90 days arrears[1])



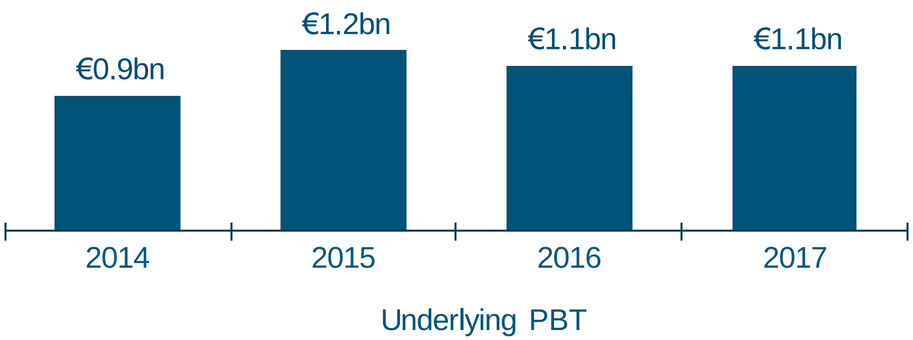
Approach to credit risk management is a competitive advantage

- Very strong track record – impaired loans reduced by 73% since peak; simultaneously cost of risk reduced consistently
- Non-performing exposures ratio is the lowest in Ireland
- Our mortgage arrears levels are also the lowest in Ireland; three to four times better than the industry average
- Cost of risk under IFRS 9 expected to be in the range of up to c. 20bps to 30bps p.a.

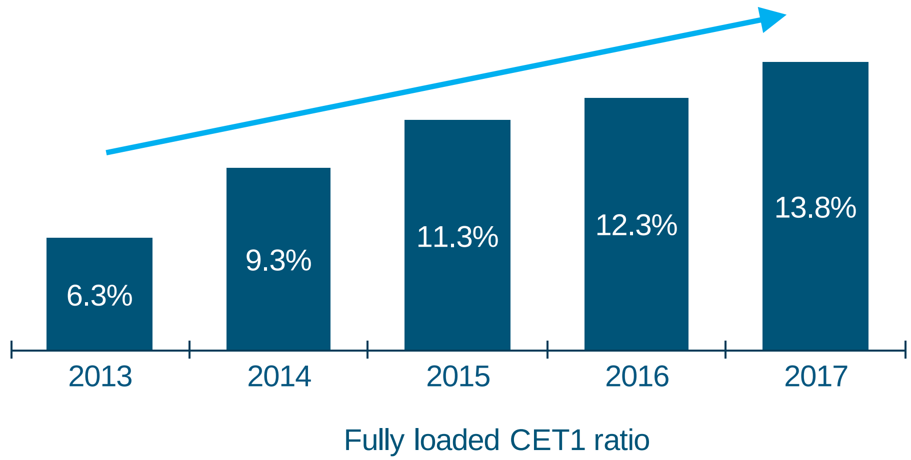
[1] Based on number of accounts at 31 December 2017

Strong capital generation and position

Sustainable profitability continues to be the key driver of organic capital generation



Capital has increased rapidly in recent years



- Target capital guidance (set out in February 2018)
  - Maintain a CET1 ratio in excess of 13%
  - On a regulatory basis and on a fully loaded basis at the end of the O-SII phase-in period (2021)
  - Includes meeting applicable regulatory capital requirements plus an appropriate management buffer
- Robust capital position – 13.8% at December 2017
- Strong pace of organic capital generation (140 bps in 2017) is a result of sustainable profitability

Strategic investment and rigorous allocation of capital

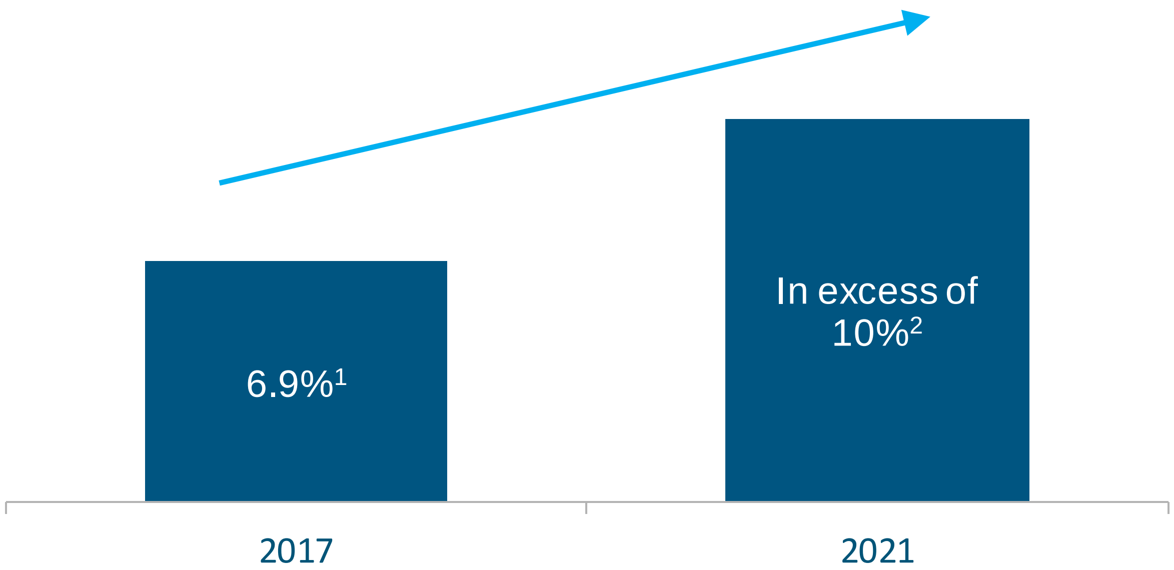
Organic capital generation

Investment / allocation of capital

1 Growth in loan book 200-250bps	• CET 1 of c. 200-250 bps to accommodate growth of c. 20% in loan book over 4 years (2018 – 2021)
2 Transformation 50-60bps p.a.	• Transformation Programme expanded: 50-60bps p.a.
3 Regulatory capital demand	• Target capital: in excess of 13% • Regulatory engagement on TRIM continues; Irish countercyclical buffer currently set at zero • Could pursue opportunities to unlock capital in balance sheet if required
4 Dividend / distributions	• Dividend per share of 11.5c in respect of 2017 • Expect to increase prudently and progressively – over time will build towards a payout ratio of around 50% of sustainable earnings • Other means of capital distribution will be considered to the extent the Group has excess capital

Focussed on delivering attractive and sustainable returns

Target is to increase RoTE to in excess of 10% by 2021



- **Growth in net interest income** and **reduction in costs** will be the main drivers of the increase in RoTE
- **Risks:** Weaker economic activity; slower than expected credit formation in Ireland; unexpected regulatory capital demand
- **Opportunities:** Higher than expected interest rates; faster credit formation; market share growth; lower impairments

[1] See appendix for calculation [2] Calculated on a CET1 Ratio of 13%

Our strategy will enable us to achieve our financial targets

Financial Targets – 2021

Improved profitability

- RoTE **in excess of 10%** by 2021

Efficient business

- Cost target of **c.€1.7bn** in 2021
- Costs **reduce every year**: 2018 – 2021
- Cost income ratio improves from 65% to **c. 50% in 2021**

Robust capital position

- CET1 ratio **in excess of 13%**

Sustainable dividends

- Increase prudently and progressively from 11.5c per share
- Dividend payout: over time will build towards a payout ratio of around **50% of sustainable earnings**

Summary and Conclusion

Francesca McDonagh
Group CEO

Bank of Ireland Group

Today's focus

Growth

- Unlocking growth in our **Irish business:**
  - Supporting **house building** and **home buying**
  - Building out our **wealth and insurance** business
- **Group loan book** expected to **grow by c. 20%** by 2021

Transformation

- **Accelerating and broadening** our multi-year transformation programme
  - Encompassing **culture, systems** and **business model**
  - Invest more to support **growth**, improve **customer experience** and drive **efficiency**

UK

- **Committed to the UK**, focussed on increasing returns
  - **Investing** in businesses that are generating above-hurdle returns
  - **Improving** returns in businesses with potential to meet return and efficiency hurdles
  - **Repositioning** businesses where less certainty exists about meeting hurdle expectations

Financial targets

- **RoTE** in excess of 10% by 2021
- **Cost base** of c. €1.7bn in 2021; costs reduce each year; cost income ratio of c. 50% in 2021
- **CET1 ratio** in excess of 13%
- **Dividends** to build towards a payout ratio of 50%

Appendix

Key macro assumptions for our financial plan

	Metric	2018	2019	2020	2021
Ireland	GDP	3.5%	2.8%	2.6%	2.6%
	Employment growth	2.1%	1.7%	1.4%	1.4%
	Inflation	1.3%	1.4%	1.6%	1.8%
	ECB rate	0.00%	0.00%	0.50%	0.75%
UK	GDP	1.4%	1.6%	1.6%	1.7%
	Employment growth	0.5%	0.7%	0.5%	0.6%
	Inflation	2.6%	2.2%	2.0%	2.0%
	BoE rate	0.75%	1.00%	1.25%	1.25%

- Irish GDP expected to grow well above Euro area average
- Credit growth returning after many years of deleveraging
- Euro interest rates expected to rise from 2019
- Irish GDP and employment growth expected to translate into credit formation – particularly household and SME

Return on tangible equity (RoTE) – 2017: Headline vs. pro-forma

	As Reported FY 2017 (€m)	Additional Gains, valuations items, net of tax	'Normalised' impairment net of tax	FY 2017 Pro-forma (€m)
Profit for the year	**692**			
Non-Core items, net of tax	208			
Coupon on Additional Tier 1 securities	(55)			
Preference share dividends	(7)			
Adjusted profit after tax	**838**	**(122)**	**(175)**	**541**
At December 2017				
Shareholders' equity	8,859			8,859
Preference shares	(60)			(60)
Intangible assets	(779)			(779)
Shareholders' tangible equity	8,020			8,020
Average shareholders' tangible equity	**7,892**			**7,892**
Return on tangible equity (RoTE)	**10.6%**			**6.9%**

2017 Pro-forma Return on Tangible Equity is adjusted for:

- Additional gains and valuation items, net of tax (€122m)
- "Normalised" impairment charge (28 bps), net of tax (€175m)

Cost income ratio 2017: Headline vs. pro-forma

	As Reported FY 2017 (€m)	Pro-forma adjustments (€m)	FY 2017 Pro-forma (€m)
Net interest income	**2,248**	**-**	**2,248**
Other income			
- Business income	662	-	662
- Additional gains	74	(74)	-
- Other valuation items	65	(65)	-
Total income	**3,049**	**(139)**	**2,910**
Costs			
- Operating expenses	1,789	-	1,789
- Core Banking Platform Investment	111	-	111
Costs	**1,900**	**-**	**1,900**
Cost income ratio	**62%**		**65%**

Cost income ratio excludes:

- Levies and Regulatory charges
- Non core costs

2017 Pro-forma cost income ratio is adjusted for:

- Additional Gains and valuation items (€139m)

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.

Investors should read ‘Principal Risks and Uncertainties’ in the Group’s Annual Report for the year ended 31 December 2017 and also the discussion of risk in the Group’s Annual Report for the year ended 31 December 2017.