2018

# Interim Results **Announcement**

30 June 2018

Bank of Ireland Group

# Group CEO

Francesca McDonagh

Bank of Ireland Group

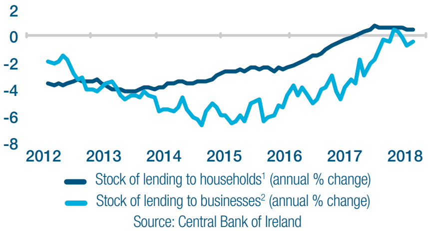
# H1 2018 Highlights

| | | |
|---|---|---|
| **Strong Financial Performance** | **€500m** Underlying profit before tax | • NIM of 2.23%<br>• Net impairment gains of €81m<br>• NPEs reduced by 10% to €5.9bn; NPE ratio now at 7.5% |
| **Growth** | **€7.7bn** 16% increase in new lending volumes | • Net loan book growth of €0.5bn to €76.6bn<br>• New lending up 16% vs. H1 2017; new Irish mortgages up 30%<br>• Maintaining strong commercial pricing and risk discipline |
| **Transformation** | **3%** Reduction in costs | • Costs reduction of €27m (3%) vs. H2 2017<br>• Business model initiatives to drive efficiencies progressing at pace<br>• Phase 1 of Core Banking Programme completed in April 2018 |
| **Capital** | **14.1%** Strong CET1 ratio | • Organic capital generation of 90bps |

# Strong businesses with competitive strengths in attractive markets

## Supportive economic outlook

Irish credit growth emerging after many years of deleveraging




- Confidence and demographics are driving an increase in new credit formation
- The Irish economy is expanding; GDP growth expected to remain well above the Euro area average
- The UK economy has been expanding at a moderate pace; expect steady growth amid Brexit uncertainties

## Attractive markets

Significant opportunities for growth

- Significant growth expected in Irish house building, home buying and SME lending
- Growing Irish population with increasing need for wealth management and retirement planning solutions
- Attractive under-served segments of the UK market

## Strong businesses

Unique customer franchises

Bank of Ireland

NEW IRELAND ASSURANCE

POST OFFICE Money

Bank of Ireland Corporate Banking

AA

- Ireland's leading retail and commercial bank with #1 or #2 market share in all principal product lines
- Extensive distribution network; Ireland's only bancassurer
- A diverse portfolio of profitable businesses in UK and internationally
- Strong track record of credit risk management with commercial pricing and risk discipline



[1]Banks balance sheet basis, excludes loan sales and securitisations
[2]Non-financial corporations

# Three Strategic Priorities

**Transform the Bank**

**Serve Customers Brilliantly**

**Grow Sustainable Profits**

# Transform the Bank

| Culture | Systems | Business Model |
|---|---|---|

## H1 2018 Progress

- Organisation re-design to create a leaner, flatter business is well advanced
- Phase 1 of Core Banking Programme completed in April 2018, delivering a single customer record for over 2 million customers across all products
- Expect first end-to-end use of new Core Banking platforms in H2 2018 with a pilot launch of personal loan and deposit origination
- Ambition, purpose and values firmly embedded in organisation with over 6,000 colleagues attending 50 culture roadshows

## 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

# Serve Customers Brilliantly

### Embedding voice of customer in our businesses

### Investing in digital and physical channels

### New brand strategy

#### H1 2018 Progress

- Number of full-service branches increasing by more than 160%
- Customer facing roles increasing by more than 15%
- Over 40% of consumer product sales in Ireland in H1 2018 were completed digitally end to end (20% increase vs. H1 2017)
- Direct and digital wealth sales increased to 30% in H1 2018 (from 0% 18 months ago)
- Enterprise programme events giving in excess of 5,000 businesses the opportunity to showcase products and services
- Strong progress towards the launch of new mobile app and new digital wealth channels in the first half of 2019

#### 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

| | H1 2018 Progress | 2021 Target |
|---|---|---|
| **Improved profitability** | Headline RoTE of 9.6%<br>Adjusted RoTE of 6.8%[1] | RoTE in excess of 10% |
| **Efficient business** | Costs reduction of 3% vs. H2 2017 | Cost base of c.€1.7bn<br>Costs reduce every year: 2018-2021<br>Cost income ratio of c.50% |
| **Robust capital position** | Fully loaded CET1 ratio of 14.1% | CET1 ratio in excess of 13% |
| **Sustainable dividends** | Deduction for potential full year dividend; equivalent to an annualised dividend of 14c per share | Increase prudently and progressively from 11.5c per share; over time will build towards a payout ratio of around 50% of sustainable earnings |

[1]See Slide 43 for calculation

# Group CFO

Andrew Keating

Bank of Ireland Group

# Underlying profit before tax of €500m

| | H1 2017[1] (€m) | H1 2018 (€m) |
|---|---|---|
| Total income | 1,532 | 1,398 |
| *– Net interest income* | *1,151* | *1,076* |
| *– Other income (net)** | *381* | *322* |
| Total costs | (999) | (1,000) |
| *– Operating expenses* | *(887)* | *(882)* |
| *– Transformation Investment charge[2]* | *(49)* | *(51)* |
| *– Levies and Regulatory charges* | *(63)* | *(67)* |
| Net Impairment (losses) / gains | (59) | 81 |
| Share of associates / JVs | 18 | 21 |
| **Underlying profit before tax** | **492** | **500** |
| Non-core items | (32) | (46) |
| **Profit before tax** | **460** | **454** |
| **Of which additional gains* | *16* | *10* |
| *Net interest margin (NIM)* | *2.32%* | *2.23%* |
| *Average EUR / GBP FX rates* | *0.86* | *0.88* |

- Net interest income of €1,076m, reduction of €75m vs. H1 2017 reflecting lower NIM (H1 2018: 2.23%) primarily due to the cost of securities issued in advance of TRIM and MREL during H2 2017
- Other income of €322m includes:
  - Sustainable and diversified business income of €323m, broadly in line with H1 2017
  - Additional gains of €10m (H1 2017: €16m)
  - Valuation and other adjustments on financial instruments – net charge of €11m (H1 2017: net gain of €38m)
- Operating expenses of €882m, broadly in line with H1 2017; reduction of €27m (3%) vs. H2 2017
- Transformation investment in H1 2018 of €141m (CET1 ratio impact of c.30bps):
  - €51m charged to the income statement (36%)
  - €39m capitalised as intangible asset (28%)
  - €51m charged as non-core restructuring costs (36%)
- Net impairment gains of €81m, reflecting successful resolution strategies and the positive economic environment and outlook in Ireland
- Non-core charge of €46m primarily related to costs associated with the Group's restructuring programme

[1]Comparative figures have been restated to reflect the impact of: (i) the voluntary change in the Group's accounting policy for Life assurance operations in H2 2017 and (ii) the reclassification of €6 million of costs from the Transformation Investment charge (formerly the Core Banking Platform Investment charge) to Operating expenses (before Transformation Investment and levies and regulatory charges) for the six months ended 30 June 2017
[2]Transformation Investment charge was previously disclosed as 'Core Banking Platforms Investment', it has been updated for the six months ended 30 June 2018 to include the broader scope of Transformation covering Culture, Systems and Business Model

# Key areas of focus

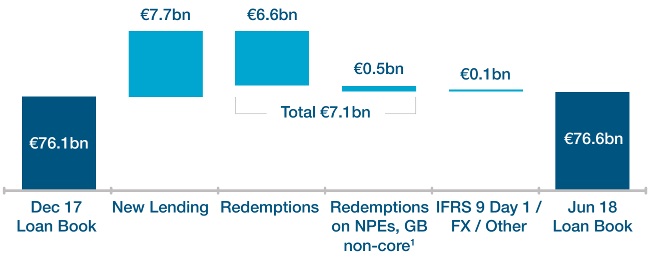
Income growth

Transformation of cost base

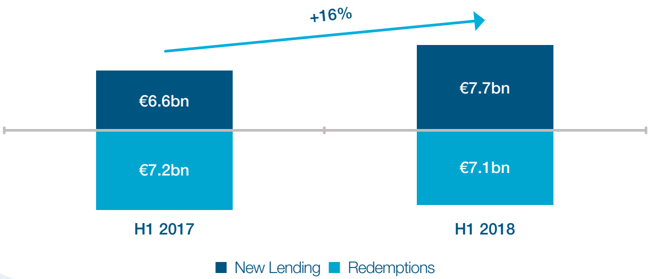
Capital generation, investment and return

# Loan book growth of €0.5bn

## Group loan book movement




## New lending / redemption volumes

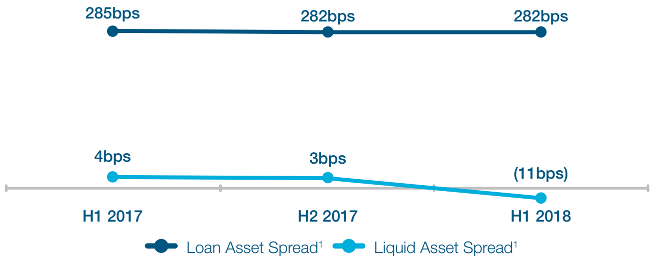



- **Net loan book growth of €0.5bn to €76.6bn**
  - New lending of €7.7bn, an increase of 16% vs. H1 2017
  - Group redemptions of €7.1bn, in line with H1 2017
  - Expect to re-enter Irish mortgage broker market in H2 2018
  - Expect further loan book growth in H2 2018, while maintaining strong commercial pricing and risk discipline
- **Retail Ireland: €2.7bn**
  - Mortgage new lending of €1.0bn, up 30% on 2017; market share of 28%
  - SME new lending of €1.4bn
  - Consumer new lending of €0.2bn
- **Retail UK: £2.6bn**
  - Mortgage new lending of £1.6bn, up 25% on 2017
  - SME new lending of £0.1bn
  - Consumer new lending of £0.9bn (H1 2017: £0.5bn)
- **Corporate Banking: €2.1bn**
  - Property Finance new lending of €0.6bn
  - Corporate Ireland new lending of €0.5bn
  - Corporate UK new lending of €0.5bn
  - Acquisition Finance new lending of €0.5bn

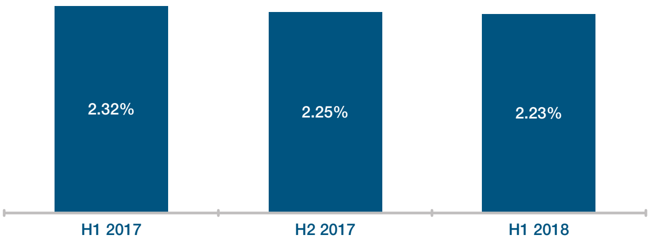
[1]GB business and corporate loan books, which BOI was required to run down under its EU approved Restructuring Plan (Remaining stock: H1 2017 - £0.7bn; H2 2017 - £0.6bn; H1 2018 - £0.5bn)

# Strong commercial pricing discipline

## Net interest margin drivers




## Net interest margin




## Net interest income

- Net interest income of €1,076m, reduction of €75m vs. H1 2017 reflecting lower NIM primarily due to the cost of securities issued in advance of TRIM and MREL during H2 2017

## Average interest earning assets

- Increased by €1.4bn to €98.6bn in H1 2018, primarily due to higher average liquid asset volumes

## NIM

- H1 2018 NIM of 2.23% primarily reflecting:
  - Strong commercial discipline on pricing;
  - Positive impact from new lending margins, offset by;
  - Lower liquid asset yields due to bond sales and the impact of the ongoing low interest rate environment;
  - NAMA sub debt reclassification due to the introduction of IFRS 9
- Expect H2 2018 NIM to be broadly in line with FY 2018 guidance of 2.24%

[1]Spread = Loan asset yield or Liquid asset (excl. NAMA bonds) yield less Group's average cost of funds

# Sustainable business income

| | H1 2017[1] (€m) | H1 2018 (€m) |
|---|---|---|
| Retail Ireland | 143 | 131 |
| Wealth and Insurance | 99 | 115 |
| Retail UK | 3 | 6 |
| Corporate & Treasury | 86 | 72 |
| Group Centre and other | (4) | (1) |
| **Business Income** | **327** | **323** |
| Additional gains | 16 | 10 |
| Other valuation items | 38 | (11) |
| *– CVA, DVA, FVA, other* | *29* | *(19)* |
| *– Interest rate movements – Wealth and Insurance* | *10* | *(4)* |
| *– Unit-linked investment variance – Wealth and Insurance* | *7* | *(7)* |
| *– IFRS income classifications[2]* | *(8)* | *19* |
| **Other Income** | **381** | **322** |

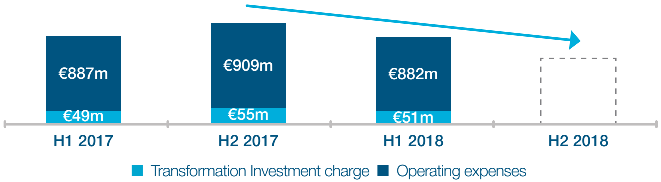
- Business income of €323m broadly in line with H1 2017;
  - Retail Ireland: reduction vs. H1 2017 due to strategic customer initiatives and solutions
  - Wealth and insurance: increase vs. H1 2017, due to an increase in single premium, pension and risk sales
  - Corporate and Treasury: reduction vs. H1 2017, due to by lower equity income and upfront fees
- Additional gains of €10m driven by the partial disposal of NAMA subordinated debt (€9m gain)
- Valuation and other adjustments on financial instruments:
  - Net charge of €11m (H1 2017: net gain of €38m)
  - Impact primarily due to widening of credit spreads and higher euro interest rates



[1]Comparative figures have been restated to reflect the impact of: (i) the Group's decision to re-organise the Wealth and Insurance operating segment (formerly Bank of Ireland Life) and (ii) the voluntary change in the Group's accounting policy for Life assurance operations in H2 2017
[2]IFRS income classifications are fully offset in net interest income

# Reducing our cost base

## Operating expenses to reduce further




| | H1 2017 (€m) | H2 2017 (€m) | H1 2018 (€m) |
|---|---|---|---|
| Total staff costs | 452 | 448 | 442 |
| *– Staff costs* | *378* | *374* | *369* |
| *– Pension costs* | *74* | *74* | *73* |
| Other costs | 360 | 367 | 339 |
| Depreciation | 75 | 94 | 101 |
| **Operating Expenses** | **887** | **909** | **882** |
| Transformation Investment charge[1] | 49 | 55 | 51 |
| **Operating Expenses incl. Transformation** | **936** | **964** | **933** |
| Levies and Regulatory charges | 63 | 36 | 67 |
| **Total Operating Expenses** | **999** | **1,000** | **1,000** |
| *Average staff numbers* | *11,261* | *11,132* | *10,752* |
| *Cost income ratio[2]* | *64%* | *67%* | *66%* |

### Transformation of cost base

- Operating expenses of €882m reduced by €27m (3%) vs. H2 2017, broadly in line with H1 2017
- Expect operating expenses, including transformation investment charge, to reduce every year to 2021; target of €1.7bn in 2021

### Operating expenses: €882m

- Total staff costs decreased by €6m vs. H2 2017 primarily reflecting lower average staff numbers partly offset by impact of the Group Career and Reward framework
- Other costs have decreased by €28m vs. H2 2017 reflecting efficiencies from initiatives across the businesses
- Increase in depreciation charge reflects technology investments in recent years

### Transformation Investment charge: €51m

- Total transformation investment in H1 2018 of €141m, (CET1 ratio impact of c.30bps) of which €51m charged to the income statement (36%); €39m capitalised as intangible assets (28%); €51m charged as non-core restructuring costs (36%)

### Levies and Regulatory charges: €67m

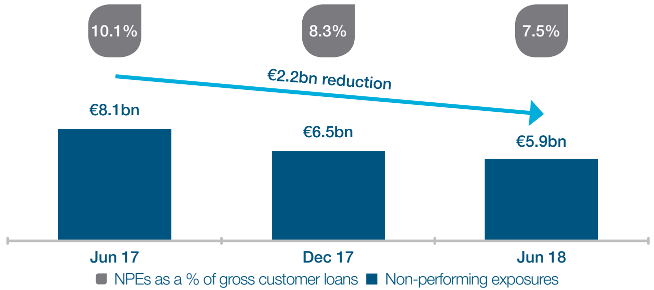
- Expect levies and regulatory charges to total €100m-€105m for FY 2018



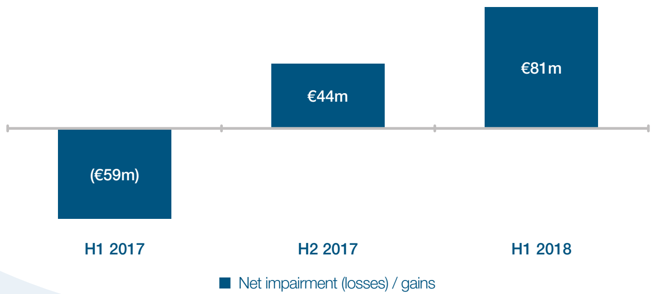
[1] Transformation Investment charge was previously disclosed as 'Core Banking Platform Investment charge', it has been updated to include the broader scope of Transformation covering Culture, Systems and Business Model for H1 2017 and H2 2017
[2] See Slide 44 for calculation

# Asset quality

## Non-performing exposures




## Net impairment (losses) / gains




### Asset quality continues to improve

- Non-performing exposures (NPEs) of €5.9bn, a reduction of €0.6bn (10%) during H1 2018
- NPEs reduced to 7.5% of gross customer loans
- Reductions reflect successful resolution strategies and the positive economic environment
- Expect further reductions in H2 2018 and beyond; pace will be influenced by a range of factors
- NPE reduction strategies will be kept under review in response to the associated and evolving regulatory capital framework

### Net impairment gains

- First reporting period under new IFRS 9 accounting standard
- Net impairment gains of €81m for H1 2018, primarily reflecting:
  - Strong performance of the Group's loan portfolios
  - Better than expected outcomes from ongoing resolution of NPEs
  - Higher than expected recoveries post write-off
  - More positive than expected economic environment and outlook in key markets, driving lower impairment loss allowances under IFRS 9 models
- Absent a deterioration in the economic environment or outlook, expect net impairment gains for the full year 2018
- Expect cost of risk to be in the range of up to 20bps to 30bps p.a. during 2019-2021

# Capital and liquidity available to support growth

| | Dec 2017 (€bn) | Jun 2018 (€bn) |
|---|---|---|
| Customer loans | 76 | 77 |
| Liquid assets | 24 | 23 |
| Wealth and Insurance assets | 17 | 17 |
| Other assets | 6 | 5 |
| **Total assets** | **123** | **122** |
| Customer deposits | 76 | 77 |
| Wholesale funding | 13 | 11 |
| Wealth and Insurance liabilities | 17 | 17 |
| Other liabilities | 7 | 7 |
| Shareholders' equity | 9 | 9 |
| Additional Tier 1 security & other | 1 | 1 |
| **Total liabilities** | **123** | **122** |
| TNAV per share | €7.52 | €7.71 |
| Closing EUR / GBP FX rates | 0.89 | 0.89 |

**Strong liquidity ratios**

- Liquidity Coverage Ratio: 139%
- Net Stable Funding Ratio: 127%
- Loan to Deposit Ratio: 100%

**Customer deposits: €76.7bn**

- Customer deposits predominantly sourced through retail distribution channels

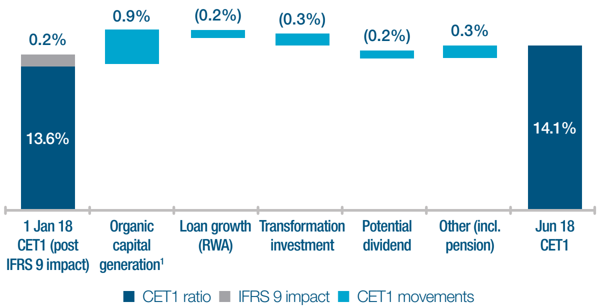
**Wholesale funding: €11.4bn**

- Modest wholesale funding requirement
- Monetary Authority borrowings of €3.7bn[1] have reduced by €1.3bn since Dec 2017 primarily due to repayment of funding drawn under the ECB's TLTRO
- MREL target of €13.3bn (representing 26.4% of RWA at Dec 2016) to be met by 1 Jan 2021:
  - MREL ratio of 19.6% at June 2018 (based on RWA at Dec 2016)
  - MREL issuance of c.€4bn-€5bn, allowing for redemptions and an appropriate buffer, to meet MREL requirement by 1 Jan 2021

[1]€2.0bn of ECB TLTRO funding and €1.7bn of BOE funding through TFS (c.€1.5bn) and ILTR (c.€0.2bn)

# Strong capital generation and position

## Fully loaded CET1 ratio movement




### Capital position

- Strong organic capital generation of 90bps in H1 2018:
  - Fully loaded CET1 ratio of 14.1%
  - Regulatory CET1 ratio of 15.8%
  - Regulatory Total Capital ratio of 19.8%
- Strong asset performance in H1 2018 and positive impact of changes in long term assumptions reduced the regulatory capital impact of pension deficit by €160m (c.35bps)
- Irish Countercyclical Buffer (CCyB) of 1% from 5 July 2019 (Group requirement of c.60bps[2])
- Capital guidance remains unchanged: the Group expects to 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[3]

## Investment / allocation of capital in H1 2018

**1 Growth in loan book**
- Investment of c.20bps
- Net loan book growth of €0.5bn

**2 Transformation**
- Transformation investment of €141m (c.30bps)

**3 Regulatory capital demand**
- As previously announced, CRT executed in Nov 2017 in anticipation of TRIM (c.50bps benefit included in Jun 18 CET1 ratio)
- TRIM update: now largely complete for Irish mortgages - changes to credit risk models will be made in H2 2018; pro forma impact at Jun 2018: a reduction of c.70bps in fully loaded CET1 ratio
- A range of potential options are available for consideration to offset this capital impact

**4 Dividend / distributions**
- Expect to increase prudently and progressively from 11.5c per share - over time will build towards a payout ratio of around 50% of sustainable earnings
- Deduction for potential full year dividend as per regulatory requirements of €75m, equivalent to an annualised dividend of 14c per share (c.20bps)
- Other means of capital distribution will be considered to the extent the Group has excess capital



[1]Organic capital generation primarily consists of attributable profit and movements in regulatory deductions
[2]The CCyB will be applied in proportion to the Group's credit risk weighted assets in Ireland, resulting in a c.60bps Irish CCyB requirement for the Group from July 2019 (c. 60% of the Group's credit risk weighted assets are located in Ireland)
[3]The Other Systemically Important Institution (O-SII) buffer will be introduced at 0.5% in July 2019, increasing to 1.0% in July 2020 and 1.5% in July 2021

# H2 2018 outlook

## Income growth

- **Net loan book growth** while maintaining commercial pricing and risk discipline
- **NIM** to be broadly in line with FY 2018 guidance of 2.24%

## Transformation of cost base

- **Operating expenses** to continue to reduce
- Absent a deterioration in the economic environment or outlook, expect **net impairment gains** for the full year 2018

## Capital generation, investment and return

- Expect further **reductions in NPEs**
- Continue to **generate strong organic capital**

# Appendix

# BOI Overview: Ireland

Ireland's leading retail and commercial bank

## Retail Ireland

**Consumer** | **Business** | **Wealth**

### Unique customer franchise

- **1.7m** active consumer customers with average tenure 15 years
- **200k** SME customers and **500k** Wealth and Insurance customers
- **#1 or #2** market share across all principal product lines

### Supporting local communities and enterprises

- **265 branches**, >2,800 front line staff
- Branches evolving into **business development hubs** driving local commerce
- **>3,000** enterprise and community events last year

### Growing preference for digital channels

- **79% digitally active** current account base
- **>250%** increase in mobile users 2012 – 2018
- **15m** interactions in our digital channels every month

## Corporate / Markets

### Corporate Banking Ireland

- **#1 Corporate Bank** in Ireland
- **#1 Bank** for FDI into Ireland
- **Country-wide** coverage via regional hubs
- Banking relationship with **60%** of Ireland's top companies
- **>500** corporate customers: average 5 products held per customer

### Property Finance

- **Disciplined approach** to risk management
- **60** Specialist staff; **>175** customers

### Markets & Treasury

- Leading **treasury service provider**
- Track record of **innovation**

# BOI Overview: UK / International

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

## Retail UK

### Partnerships

- **Over 40 years** in Great Britain
- **11.5k branches** through Post Office partnership
- **#1 travel money** business in the UK (FRES)
- Access to **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

- Motor asset finance and motor lease finance business
- **Proven track record** of strong growth and disciplined risk appetite
- **#1 independent** bank-owned motor finance lender
- **£1.6bn loan book** with >170k customers

## Corporate UK / International

### Corporate Banking UK

- **Sector focussed** business in UK with **5** specialist industry sectors
- **>50** Customers
- **Scalable platform** with highly disciplined approach and growth

### Acquisition Finance

- Mid market US / European Acquisition Finance business; **strong 20 year+ record**
- **Well recognised lead arranger**
- **5** international offices
- **200** customers, c.85% business from repeat sponsors

# BOI Overview

## Income Statement

| | FY 2014 (€m) | FY 2015 (€m) | FY 2016[4] (€m) | FY 2017 (€m) | H1 2018 (€m) |
|---|---|---|---|---|---|
| Total income | 2,974 | 3,272 | 3,126 | 3,049 | 1,398 |
| *– Net interest income* | *2,358* | *2,454* | *2,298* | *2,248* | *1,076* |
| *– Other income (net) before additional gains* | *448* | *591* | *677* | *727* | *312* |
| *– Additional gains (incl. ELG fees)[1]* | *168* | *227* | *151* | *74* | *10* |
| Operating expenses | (1,601) | (1,746) | (1,741) | (1,796) | (882) |
| Transformation Investment charge[2] | - | - | (41) | (104) | (51) |
| Levies and Regulatory charges | (72) | (75) | (109) | (99) | (67) |
| **Operating profit pre-impairment** | **1,301** | **1,451** | **1,235** | **1,050** | **398** |
| Net impairment (losses) / gains | (472) | (296) | (178) | (15) | 81 |
| Share of associates / JVs | 92 | 46 | 41 | 43 | 21 |
| **Underlying profit before tax** | **921** | **1,201** | **1,098** | **1,078** | **500** |
| Non-core items | (1) | 31 | (63) | (226) | (46) |
| **Profit before tax** | **920** | **1,232** | **1,035** | **852** | **454** |
| Net interest margin | 2.11% | 2.19% | 2.20% | 2.29% | 2.23% |
| Cost income ratio[3] | 54% | 53% | 57% | 62% | 67% |
| Dividend per share | - | - | - | 11.5c | TBC[5] |

[1]For ease of presentation additional gains has been adjusted to include ELG fees which ceased in 2016
[2]Transformation Investment charge was previously disclosed as 'Core Banking Platform Investment charge', it has been updated to include the broader scope of Transformation covering Culture, Systems and Business Model
[3]Cost income ratio is calculated as operating expenses (excluding levies and regulatory charges) divided by total income
[4]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
[5]FY 2018 dividend will be decided by the Board at year end consistent with our distribution policy as set out in Slide 39

# BOI Overview

## Summary Balance Sheet

| | Dec 14 (€bn) | Dec 15 (€bn) | Dec 16 (€bn) | Dec 17 (€bn) | Jun 18 (€bn) |
|---|---|---|---|---|---|
| Customer loans[1] | 82 | 85 | 78 | 76 | 77 |
| Liquid assets | 25 | 24 | 21 | 24 | 23 |
| Wealth and Insurance assets | 16 | 16 | 17 | 17 | 17 |
| Other assets | 7 | 6 | 7 | 6 | 5 |
| **Total assets** | **130** | **131** | **123** | **123** | **122** |
| Customer deposits | 75 | 80 | 75 | 76 | 77 |
| Wholesale funding | 20 | 14 | 14 | 13 | 11 |
| *Private Sources* | *16* | *13* | *11* | *8* | *7* |
| *Monetary Authority / TLTRO* | *4* | *1* | *3* | *5* | *4* |
| Wealth and Insurance liabilities | 16 | 16 | 17 | 17 | 17 |
| Other liabilities | 8 | 10 | 6 | 5 | 5 |
| Subordinated liabilities and AT1 | 2 | 3 | 2 | 3 | 3 |
| Shareholders' equity | 9 | 8 | 9 | 9 | 9 |
| **Total liabilities & Shareholders' equity** | **130** | **131** | **123** | **123** | **122** |
| Fully loaded CET1 ratio | 9.3% | 11.3% | 12.3% | 13.8% | 14.1% |
| Liquidity coverage ratio | 103% | 108% | 113% | 136% | 139% |
| Net stable funding ratio | 114% | 120% | 122% | 127% | 127% |
| Loan to deposit ratio | 110% | 106% | 104% | 100% | 100% |
| TNAV per share | €6.49 | €7.24 | €7.40 | €7.52 | €7.71 |

[1]Loans and advances to customers is stated after impairment loss allowance

# BOI Overview

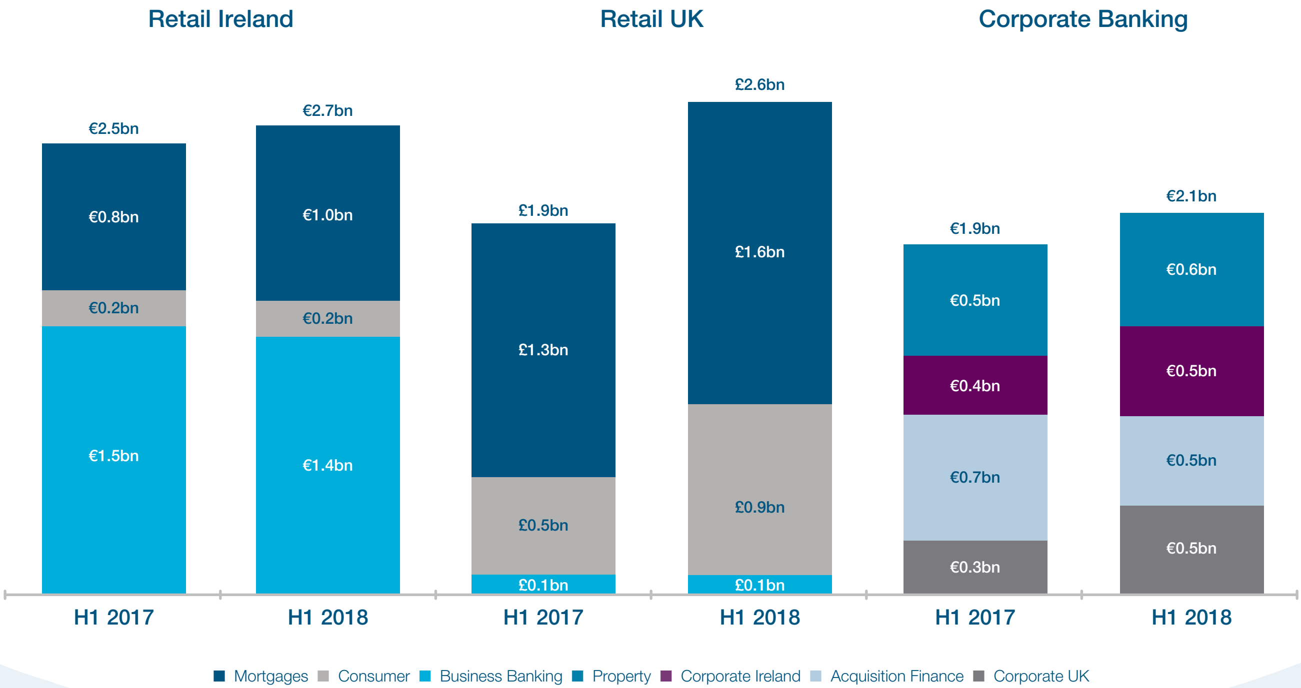
## Profile of customer loans (gross)[1]

| Composition (Jun 2018) | ROI (€bn) | UK (€bn) | RoW (€bn) | Total (€bn) | Total (%) |
|---|---|---|---|---|---|
| **Mortgages** | **23.7** | **22.3** | **0.0** | **46.0** | **59%** |
| **Non-property SME and corporate** | **10.7** | **4.4**[2] | **4.0** | **19.1** | **24%** |
| *SME* | *7.8* | *1.6* | *0.0* | *9.4* | 12% |
| *Corporate* | *2.9* | *2.8* | *4.0* | *9.7* | 12% |
| **Property and construction** | **5.6** | **2.4** | **0.4** | **8.4** | **11%** |
| *Investment property* | *5.1* | *2.2* | *0.4* | *7.7* | *10%* |
| *Land and development* | *0.5* | *0.2* | *0.0* | *0.7* | *1%* |
| **Consumer** | **2.1** | **2.8** | **0.0** | **4.9** | **6%** |
| **Customer loans (gross)** | **42.1** | **31.9** | **4.4** | **78.4** | **100%** |
| **Geographic (%)** | 54% | 41% | 5% | 100% | |

Bank of Ireland Group

[1]Based on geographic location of customer
[2]Includes £0.5bn relating to GB business and corporate loan books, which BOI was required to run down under its EU approved Restructuring Plan (H1 2017: £0.7bn; H2 2017: £0.6bn)

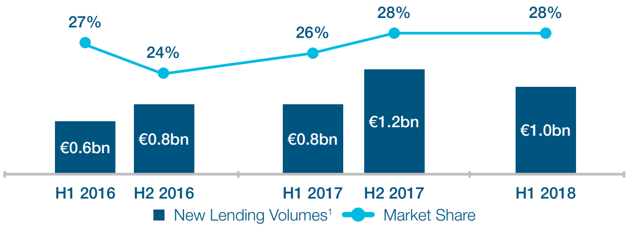
# Gross new lending volumes in H1 2018



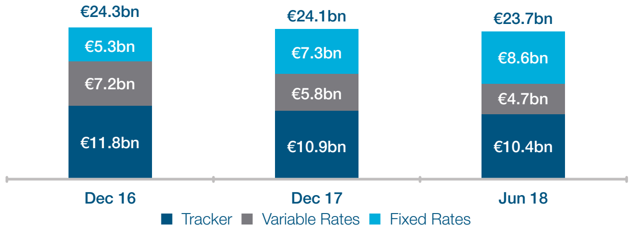

Bank of Ireland Group

# ROI Mortgages: €23.7bn

## New Lending volumes and Market Share




## ROI Mortgages (gross)




### Pricing strategy
- Fixed rate led mortgage pricing strategy which provides value, certainty and stability to our customers and to the Group
- Fixed rate products accounted for c.92% of our new lending in H1 2018, up from c.30% in 2014

### Distribution strategy
- Market share of 28% in H1 2018 in line with H2 2017
- Expect to re-enter the Irish mortgage broker market in H2 2018

### Wider proposition
- 7 in 10 ROI customers who take out a new mortgage take out a life assurance policy through BOI Group
- 3 in 10 ROI customers who take out a new mortgage take out a general insurance policy through BOI Group with insurance partners

### LTV profile
- Average LTV of 61% on existing mortgage stock at June 2018 (Dec 17: 63%, Dec 16: 72%)
- Average LTV of 73% on new mortgages in H1 2018 (Dec 17: 69%[2], Dec 16: 67%[2])

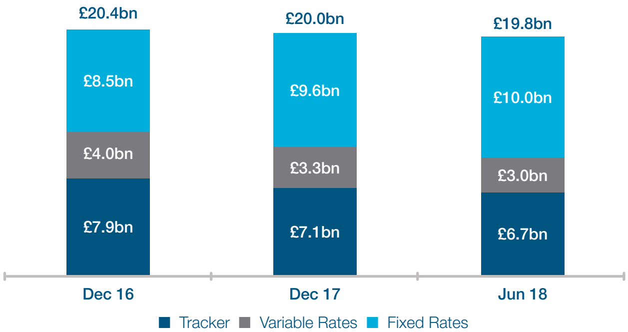
### Tracker mortgages
- €9.8bn or 94% of trackers at June 18 are on a capital and interest repayment basis
- 79% of trackers are Owner Occupier mortgages; 21% of trackers are Buy to Let mortgages
- Loan asset spread on ECB tracker mortgages was c.66bps[3] in H1 2018



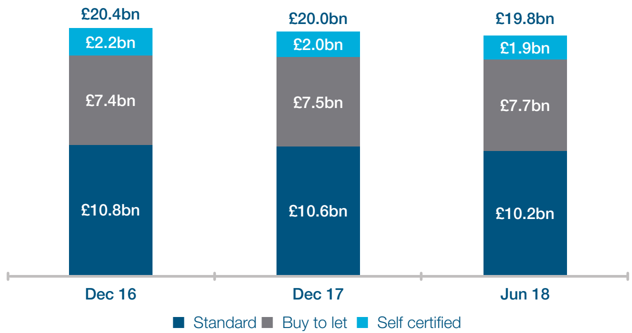
[1]Excluding portfolio acquisitions (H1 2016 - €0.1bn; H2 2016 - €0.1bn; H1 2017 - Nil; H2 2017 - €0.1bn; H1 2018 - Nil)
[2]LTV on new business includes the impact of the portfolio acquisitions
[3]Average customer pay rate of 109bps less Group average cost of funds in H1 2018 of 43bps

# UK Mortgages: £19.8bn/€22.3bn

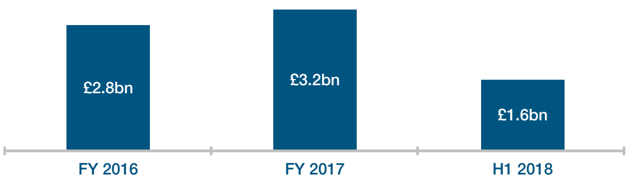
### UK Mortgages (gross)




### UK Mortgages (gross)




### UK Mortgages New Lending volumes




### LTV profile

- Average LTV of 61% on existing stock at June 2018 (Dec 17: 62%, Dec 16: 62%)
- Average LTV of 69% on new UK mortgages in H1 2018 (2017: 72%, 2016: 71%)

# Income Statement

## Divisional performance

| 6 months ended Jun 18 | Underlying profit / (loss) before tax and additional gains (€m) | Additional gains (€m) | Underlying profit / (loss) before tax (€m) |
|---|---|---|---|
| Retail Ireland | 352 | (7) | 345 |
| Wealth and Insurance (formerly BOI Life) | 34 | - | 34 |
| Retail UK – € | 113 | - | 113 |
| *Retail UK – £* | *99* | - | *99* |
| Corporate and Treasury | 226 | 7 | 233 |
| Group Centre & other | (184) | 10 | (174) |
| Transformation Investment charge | (51) | - | (51) |
| **Group** | **490** | **10** | **500** |

| 6 months ended Jun 17[1] | Underlying profit / (loss) before tax and additional gains (€m) | Additional gains (€m) | Underlying profit / (loss) before tax (€m) |
|---|---|---|---|
| Retail Ireland | 308 | 1 | 309 |
| Wealth and Insurance (formerly BOI Life) | 56 | - | 56 |
| Retail UK – € | 64 | 6 | 70 |
| *Retail UK – £* | *55* | *5* | *60* |
| Corporate and Treasury | 260 | 9 | 269 |
| Group Centre & other | (163) | - | (163) |
| Transformation Investment charge | (49) | - | (49) |
| **Group** | **476** | **16** | **492** |

Bank of Ireland Group

[1]Comparative figures have been restated to reflect the impact of (i) the Group's decision to re-organise the Wealth and Insurance operating segment (formerly Bank of Ireland Life) to incorporate the Private Banking and Insurance Services business units which were previously reported within Retail Ireland (ii) the Group's decision to re-organise the Corporate and Treasury segment to incorporate Group Treasury's costs which were previously reported within Group Centre and (iii) the voluntary change in the Group's accounting policy for Life assurance operations in H2 2017

# Interest Rate Sensitivity

The table below shows the estimated sensitivity of the Group's income (before tax) to an instantaneous and sustained 1% parallel movement in interest rates

| Estimated sensitivity on Group income (1 year horizon) | Dec 17 (€m) | Jun 18 (€m) |
|---|---|---|
| 100bps higher | c.170 | c.180 |
| 100bps lower | (c.200) | (c.220) |

The estimates are based on management assumptions primarily related to:

- The re-pricing of customer transactions;
- The relationship between key official interest rates set by Monetary Authorities and market determined interest rates; and
- The assumption of a static balance sheet by size and composition

In addition, changes in market interest rates could impact a range of other items including the valuation of the Group's IAS 19 defined benefit pension schemes

# Income Statement

## Net interest income analysis

| | H2 2016 | | | H1 2017 | | | H2 2017 | | | H1 2018 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Average Volumes (€bn) | Gross Interest (€m) | Gross Rate (%) | Average Volumes (€bn) | Gross Interest (€m) | Gross Rate (%) | Average Volumes (€bn) | Gross Interest (€m) | Gross Rate (%) | Average Volumes (€bn) | Gross Interest (€m) | Gross Rate (%) |
| Ireland Loans | 36.0 | 559 | 3.08% | 35.5 | 547 | 3.11% | 35.3 | 545 | 3.07% | 34.6 | 531 | 3.09% |
| UK Loans | 30.2 | 489 | 3.22% | 29.5 | 460 | 3.15% | 28.0 | 430 | 3.05% | 28.1 | 440 | 3.16% |
| C&T Loans | 12.7 | 254 | 3.98% | 12.7 | 254 | 4.03% | 12.8 | 253 | 3.92% | 13.6 | 259 | 3.85% |
| **Total Loans & Advances to Customers** | **78.9** | **1,302** | **3.28%** | **77.7** | **1,261** | **3.27%** | **76.1** | **1,228** | **3.20%** | **76.3** | **1,230** | **3.25%** |
| Liquid Assets[1] | 20.2 | 62 | 0.61% | 21.3 | 49 | 0.46% | 20.8 | 43 | 0.41% | 22.1 | 35 | 0.32% |
| NAMA Sub Debt | 0.3 | 16 | 11.05% | 0.3 | 17 | 11.97% | 0.3 | 17 | 11.97% | 0.2 | 4 | 3.50% |
| **Total Interest Earning Assets** | **99.4** | **1,380** | **2.76%** | **99.3** | **1,327** | **2.70%** | **97.2** | **1,288** | **2.63%** | **98.6** | **1,269** | **2.60%** |
| Ireland Deposits | 21.9 | (17) | (0.15%) | 20.6 | (12) | (0.12%) | 20.4 | (9) | (0.08%) | 20.5 | (8) | (0.08%) |
| Credit Balances[2] | 25.3 | (1) | (0.01%) | 27.1 | (0) | (0.00%) | 29.3 | 4 | 0.03% | 30.5 | 2 | 0.01% |
| UK Deposits | 20.7 | (111) | (1.07%) | 19.3 | (83) | (0.86%) | 18.2 | (74) | (0.80%) | 18.9 | (81) | (0.86%) |
| C&T Deposits | 6.8 | (14) | (0.41%) | 6.0 | (10) | (0.35%) | 5.2 | (9) | (0.35%) | 4.7 | (9) | (0.39%) |
| **Total Deposits** | **74.7** | **(143)** | **(0.38%)** | **73.0** | **(105)** | **(0.29%)** | **73.1** | **(88)** | **(0.24%)** | **74.6** | **(96)** | **(0.26%)** |
| Wholesale Funding[3] | 13.4 | (32) | (0.47%) | 14.3 | (43) | (0.60%) | 12.3 | (36) | (0.58%) | 12.3 | (45) | (0.73%) |
| Subordinated Liabilities | 1.5 | (48) | (6.13%) | 1.4 | (35) | (5.17%) | 1.8 | (42) | (4.80%) | 2.1 | (49) | (4.77%) |
| **Total Interest Bearing Liabilities** | **89.6** | **(223)** | **(0.49%)** | **88.7** | **(183)** | **(0.42%)** | **87.2** | **(166)** | **(0.38%)** | **89.0** | **(190)** | **(0.43%)** |
| IFRS Income Classification | | (13) | | | (8) | | | 5 | | | 7 | |
| Other[4] | | (9) | | | 7 | | | (25) | | | 9 | |
| **Net Interest Margin** | **99.4** | **1,135** | **2.27%** | **99.3** | **1,143** | **2.32%** | **97.2** | **1,102** | **2.25%** | **98.6** | **1,095** | **2.23%** |
| Average ECB Base rate | | | 0.00% | | | 0.00% | | | 0.00% | | | 0.00% |
| Average 3 month Euribor | | | (0.31%) | | | (0.33%) | | | (0.33%) | | | (0.33%) |
| Average BOE Base rate | | | 0.30% | | | 0.25% | | | 0.32% | | | 0.50% |
| Average 3 month LIBOR | | | 0.41% | | | 0.33% | | | 0.38% | | | 0.62% |



[1]Excludes any additional gains from portfolio re-configuration during the period
[2]Credit balances in H1 2018: ROI €23.1bn, UK €3.1bn, C&T €4.3bn
[3]Includes impact of CRT transactions executed in December 2016 and November 2017
[4]Includes customer termination fees, EIR adjustments and other adjustments that are of a non-recurring nature

# Non-core items

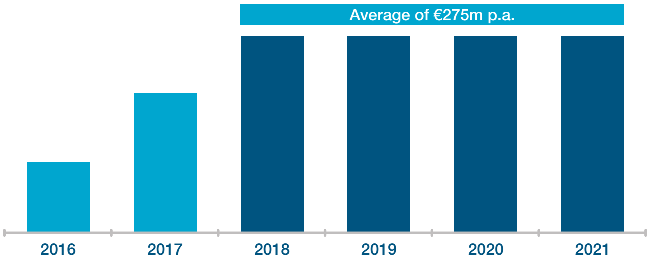
| | H1 2017[1] (€m) | H1 2018 (€m) |
|---|---|---|
| Cost of restructuring programme | (17) | (51) |
| Gross-up for policyholder tax in the Wealth and Insurance business | 1 | (2) |
| Cost of corporate reorganisation and establishment of a new holding company | (7) | - |
| Loss on disposal / liquidation of business activities | (5) | - |
| (Charge) / gain arising on the movement in the Group's credit spreads | (4) | - |
| Gain on disposal of property | - | 7 |
| **Total non-core items** | **(32)** | **(46)** |



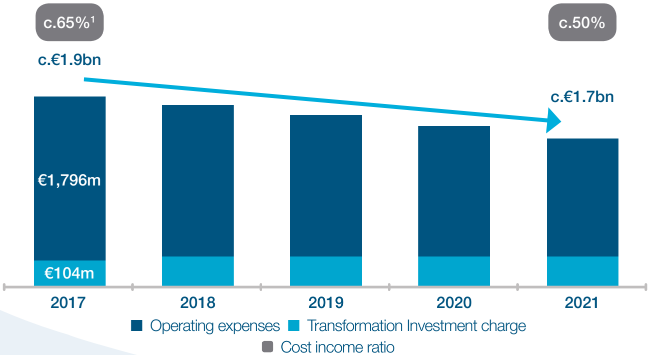
[1]Comparative figures have been restated to reflect the voluntary change in the Group's accounting policy for Life assurance operations in H2 2017

# Transformation Investment

2016-21 investment: €1.4bn




Costs will decrease every year in absolute terms




**Increasing our investment to support growth and drive efficiencies**

- Scope: Culture, Systems, Business Model
- 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

**H1 2018 Transformation investment charge**

- Total transformation investment in H1 2018 of €141m, (CET1 ratio impact of c.30bps):
  - €39m capitalised as intangible asset (28%)
  - €51m charged as Transformation Investment in the Income statement (36%)
  - €51m charged as non-core restructuring costs in the Income statement (36%)

[1]See Slide 44 for calculation

# Non-performing exposures by portfolio

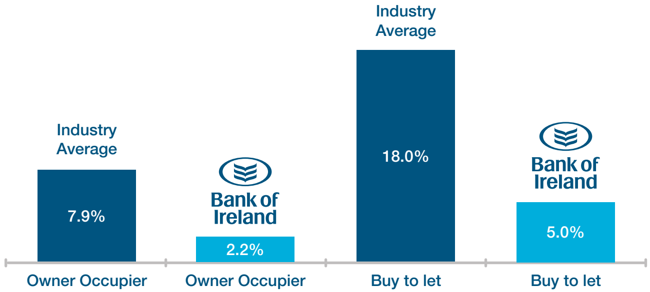
| Composition (Jun 18) | Advances (€bn) | Non-performing exposures (€bn) | Non-performing exposures as % of advances | Impairment loss allowance (€bn) | Impairment loss allowance as % of non-performing exposures |
|---|---|---|---|---|---|
| **Residential Mortgages** | **46.0** | **3.0** | **6.4%** | **0.6** | **20%** |
| – Republic of Ireland | 23.7 | 2.5 | 10.5% | 0.5 | 20% |
| – UK | 22.3 | 0.5 | 2.2% | 0.1 | 13% |
| **Non-property SME and Corporate** | **19.1** | **1.5** | **7.9%** | **0.8** | **52%** |
| – Republic of Ireland SME | 7.8 | 1.1 | 14.4% | 0.5 | 47% |
| – UK SME | 1.6 | 0.1 | 6.9% | 0.1 | 44% |
| – Corporate | 9.7 | 0.3 | 2.7% | 0.2 | 73% |
| **Property and construction** | **8.4** | **1.3** | **15.3%** | **0.6** | **46%** |
| – Investment property | 7.7 | 1.2 | 14.9% | 0.5 | 45% |
| – Land and development | 0.7 | 0.1 | 20.2% | 0.1 | 52% |
| **Consumer** | **4.9** | **0.1** | **2.1%** | **0.1** | **132%** |
| Total loans and advances to customers | 78.4 | 5.9 | 7.5% | 2.1 | 36% |

| Composition (Dec 17) | Advances (€bn) | Non-performing exposures (€bn) | Non-performing exposures as % of advances | Impairment loss allowance (€bn) | Impairment loss allowance as % of non-performing exposures |
|---|---|---|---|---|---|
| **Residential Mortgages** | **46.7** | **3.0** | **6.6%** | **0.7** | **23%** |
| – Republic of Ireland | 24.1 | 2.6 | 11.0% | 0.6 | 24% |
| – UK | 22.6 | 0.4 | 1.9% | 0.1 | 14% |
| **Non-property SME and Corporate** | **18.7** | **1.7** | **8.9%** | **0.9** | **49%** |
| – Republic of Ireland SME | 8.2 | 1.3 | 15.4% | 0.6 | 46% |
| – UK SME | 1.7 | 0.1 | 8.6% | 0.1 | 42% |
| – Corporate | 8.8 | 0.3 | 3.0% | 0.2 | 69% |
| **Property and construction** | **8.8** | **1.7** | **19.1%** | **0.7** | **44%** |
| – Investment property | 8.3 | 1.5 | 17.9% | 0.6 | 43% |
| – Land and development | 0.5 | 0.2 | 39.4% | 0.1 | 55% |
| **Consumer** | **4.3** | **0.1** | **2.1%** | **0.1** | **98%** |
| Total loans and advances to customers | 78.5 | 6.5 | 8.3% | 2.4 | 36% |

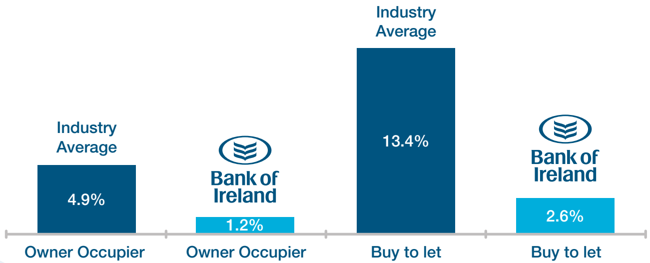
# ROI Mortgages

Arrears performance 4 times better than Industry Average

## >90 days arrears[1]




## >720 days arrears[1]




### >90 days arrears

- Bank of Ireland is significantly below the industry average for both Owner Occupier (28% of industry average) and Buy to Let (28% of industry average)

### >720 days arrears

- Bank of Ireland is significantly below the industry average for both Owner Occupier (25% of industry average) and Buy to Let (19% of industry average)

[1]As at March 2018, based on number of accounts, industry average excluding BOI

# Asset Quality

## Debt Securities at fair value through other comprehensive income (FVOCI)

| | ROI (€bn) | UK (€bn) | France (€bn) | Other (€bn) | June 18 (€bn) | Dec 17[1] (€bn) |
|---|---|---|---|---|---|---|
| Sovereign bonds | 3.4 | - | 0.8 | 2.0 | 6.2 | 7.5 |
| Senior debt | 0.1 | - | 0.3 | 1.4 | 1.8 | 2.1 |
| Covered bonds | 0.2 | 0.4 | 0.5 | 2.1 | 3.2 | 3.1 |
| Subordinated debt | - | - | - | 0.1 | 0.1 | 0.4 |
| Asset backed securities | - | - | - | - | - | 0.1 |
| **Total** | **3.7** | **0.4** | **1.6** | **5.6** | **11.3** | **13.2** |
| FVOCI Reserve | 0.2 | - | - | - | **0.2** | 0.3 |

**Portfolio**

- On 1 Jan 2018, debt securities classified as AFS financial assets under IAS39 were reclassified in accordance with IFRS 9
- The Group held €11.3bn of FVOCI debt securities at June 2018. Weighted average instrument level credit rating of the FVOCI portfolio is AA / AA-
- Other exposures include supranational entities (€1.1bn), Spain (€0.8bn), Sweden (€0.8bn), Belgium (€0.7bn), and Other (€2.2bn - all exposures less than €0.5bn)

**NAMA**

- The Group held NAMA subordinated bonds (€0.3bn nominal value) at Dec 2017
- On 1 Jan 2018, on transition to IFRS 9, the previous unamortised discount[2] which was amortising to the income statement under IAS39, was transferred in full to retained earnings (NIM impact c.2bps)
- In April 2018, the Group sold €0.2bn of NAMA subordinated bonds in a buy-back auction generating an additional gain in the income statement of c.€9m
- The Group holds NAMA subordinated bonds - €0.1bn nominal value, valued at 106% at Jun 2018 (Dec 17 - 104%)

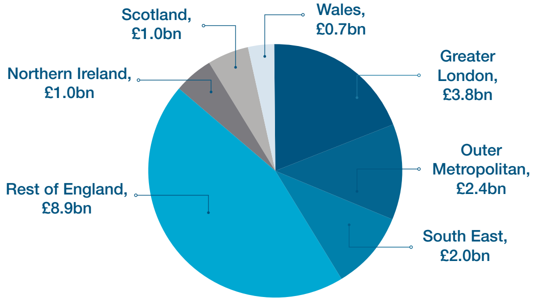


[1]The Group held €13.2bn of AFS financial assets at Dec 17 which were reclassified under IFRS 9 to FVOCI (€10.1bn), Amortised Cost (€2.8bn) and FVTPL (€0.3bn)

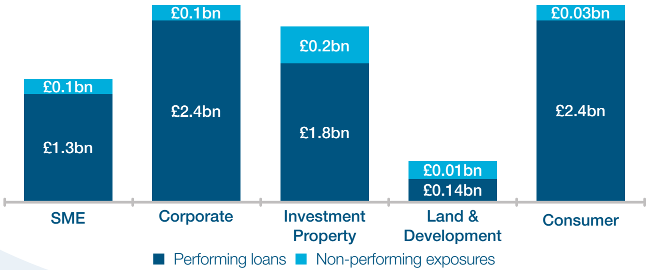
[2]An initial discount was recognised on the NAMA subordinated bonds with subsequent changes in fair value being recognised in the AFS Reserve

# UK Customer Loans: £28.2bn (€31.9bn)

## UK Mortgages – £19.8bn




## Other UK Customer Loans – £8.4bn




### UK Mortgages Analysis - £19.8bn

- Total UK mortgages of £19.8bn; (NPEs: 2%)
  - Average LTV of 61% on total book (2017: 62%)
  - Average LTV of 69% on new mortgages (2017: 72%)
- UK mortgage book continues to perform in line with industry averages[1]
- 79% of mortgages originated since January 2010 are standard owner occupier mortgages
- BTL book is well seasoned with 75% of these mortgages originating prior to January 2010
- Average loan balance of Greater London mortgages is c.£192k, with 94% of Greater London mortgages having an indexed LTV <70%

### Other UK Customer Loans Analysis - £8.4bn

- Non-performing exposures of £0.4bn with strong coverage ratios
- Performing loans of £8.0bn;
  - SME: broad sectoral diversification with low concentration risk
  - Corporate: specialist lending teams in Acquisition Finance, Project Finance, and Corporate lending through a focussed sector strategy
  - Investment Property: primarily Retail, Office and Residential sectors
  - Consumer (£2.4bn):
    - Northridge (£1.3bn): Asset backed motor finance business; net loan book increase of £0.2bn in H1 2018; mid-market pricing targeting prime business only; below industry arrears and loan losses
    - Personal loan volumes (£0.5bn): net loan book increase of £0.1bn in H1 2018; improved credit risk process has driven increase in customer applications and drawdowns
    - Credit cards (£0.6bn): AA / PO branded credit card portfolio; unchanged net loan book in H1 2018; undertaking strategic review of business including front book and back book options



[1]Data published by the Council of Mortgage Lenders (CML) for March 2018 indicates that the proportion of the Retail UK mortgage book in default (defined for CML purposes as greater than 90 days but excluding possessions and receivership cases) is in line with the UK industry average

# Capital

## CET1 ratios - June 2018

| | Regulatory ratio (€bn) | Fully loaded ratio (€bn) |
|---|---|---|
| Total equity | 9.9 | 9.9 |
| Less Additional Tier 1 | (0.8) | (0.8) |
| Deferred tax[1] | (0.4) | (1.1) |
| Intangible assets and goodwill | (0.7) | (0.7) |
| Potential dividend deduction[2] | (0.1) | (0.1) |
| Expected loss deduction | (0.4) | (0.4) |
| Other items[3] | (0.3) | (0.4) |
| **Common Equity Tier 1 Capital** | **7.2** | **6.4** |
| Credit RWA | 36.5 | 36.5 |
| Operational RWA | 4.6 | 4.6 |
| Market, CCR and Securitisations | 1.7 | 1.7 |
| Other Assets / 10%/15% Threshold deduction | 3.0 | 2.8 |
| **Total RWA** | **45.8** | **45.6** |
| **Common Equity Tier 1 ratio** | **15.8%** | **14.1%** |

**Phasing impacts on Regulatory ratio**

- Deferred tax assets - certain DTAs are deducted at a rate of 40% for 2018, increasing annually at a rate of 10% thereafter until 2024
- IFRS 9 - the Group has elected to apply the transitional arrangement which on a Regulatory CET1 basis resulted in minimal impact from initial adoption and will partially mitigate future impacts in the period to 2022. The transitional arrangement allows an 95% add-back in 2018, decreasing to 85%, 70%, 50% and 25% in subsequent years

**Regulatory leverage ratio of 7.2%; Fully loaded leverage ratio of 6.4%**



[1]Deferred tax assets due to temporary differences are included in other RWA with a 250% risk weighting applied
[2]Potential dividend deduction of €75m
[3]Other items - the principal items being the cash flow hedge reserve, securitisation deduction and 10%/15% threshold deduction

# Capital Guidance and Distribution Policy

| | |
|---|---|
| **Capital Guidance** | • The Group expects to 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[1]<br>• This includes meeting applicable regulatory capital requirements plus an appropriate management buffer |
| **Distribution Policy** | • The Group recommenced the payment of dividends with a payment of €124m equivalent to 11.5c per share in respect of the 2017 financial year<br>• The Group expects that dividends will increase on a prudent and progressive basis and, over time, will build towards a payout ratio of around 50% of sustainable earnings<br>• Dividend level and rate of progression will reflect, amongst other things:<br>  ◦ Strength of the Group's capital and capital generation;<br>  ◦ Board's assessment of growth and investment opportunities available;<br>  ◦ Any capital the Group retains to cover uncertainties; and<br>  ◦ Any impact from the evolving regulatory and accounting environments<br>• Other means of capital distribution will be considered to the extent the Group has excess capital |
| **H1 2018 Position** | • Regulatory rules require that a deduction is made at the half year in respect of potential dividends; in that regard the Group has made a deduction of €75m (c.20bps) in arriving at its CET1 ratio of 14.1% which is equivalent to an annualised dividend per share of 14c |



[1]The Other Systemically Important Institution (O-SII) buffer will be introduced at 0.5% in July 2019, increasing to 1.0% in July 2020 and 1.5% in July 2021

# Regulatory Capital Requirements

| Pro forma CET1 Regulatory Capital Requirements | Set by | Range | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|
| Pillar 1 – CET1 | CRR | 4.5% | 4.5% | 4.5% | 4.5% | 4.5% | 4.5% |
| Pillar 2 Requirement (P2R) – reviewed annually | SSM | | 2.25% | 2.25% | 2.25% | 2.25% | 2.25% |
| Capital Conservation Buffer (CCB) | CRD | 2.5% | 1.25% | 1.875% | 2.5% | 2.5% | 2.5% |
| *Countercyclical buffer (CCyB)*[1] | | | | | | | |
| Ireland (c.60% of RWA) | CBI | 0% – 2.50% | – | – | 0.6% | 0.6% | 0.6% |
| UK (c.30% of RWA) | FPC (UK) | 0% – 2.50% | – | 0.3% | 0.3% | 0.3% | 0.3% |
| US and other (c.10% of RWA) | Fed/Various | 0% – 2.50% | – | – | – | – | - |
| O-SII buffer[2] | CBI | 0% – 2.00% | – | – | 0.5% | 1% | 1.5% |
| Systemic Risk Buffer – Ireland | Minister for Finance | 0% – 3.00% | N/A | N/A | N/A | N/A | N/A |
| **Pro forma Minimum CET1 Regulatory Requirements** | | | **8.0%** | **8.925%** | **10.65%** | **11.15%** | **11.65%** |
| **Pillar 2 Guidance (P2G) – reviewed annually** | | | **Not disclosed in line with regulatory preference** | | | | |

## Capital Guidance

- The Group expects to 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[2] in July 2021. This includes meeting applicable regulatory capital requirements plus an appropriate management buffer

## Regulatory Capital Requirements

- A minimum CET1 ratio of 8.625% on a regulatory basis from 1 Jan 2018, includes:
  - A Pillar 1 requirement of 4.5%, a Pillar 2 requirement (P2R) of 2.25% and a capital conservation buffer for 2018 of 1.875%
- The FPC (UK) has set the UK CCyB at 0.5% from June 2018 and 1% from November 2018
- The CBI (ROI) announced its intention to increase the CCyB in Ireland from 0% to 1.0%, effective from 5 July 2019
- The Systemic Risk Buffer under Article 133 CRD IV is currently not implemented in Irish law but may be introduced at the discretion of the Minister for Finance
- Pillar 2 Guidance (P2G) is not disclosed in accordance with regulatory preference

Bank of Ireland Group

[1]CCyB could be set in excess of 2.50% in exceptional circumstances. A change in the CCyB could also be implemented in less than 12 months in exceptional circumstances

[2]The Other Systemically Important Institution (O-SII) buffer will be introduced at 0.5% in July 2019, increasing to 1.0% in July 2020 and 1.5% in July 2021

# Risk Weighted Assets (RWAs)

## Customer lending average credit risk weights – June 2018[1&2]

(Based on regulatory exposure class)

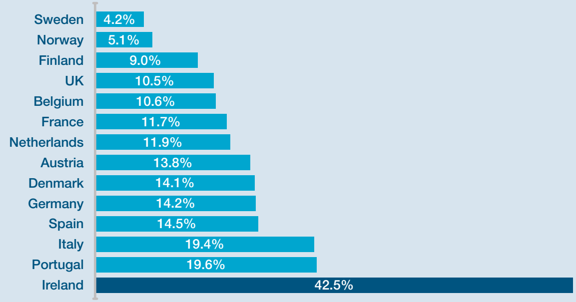
| | EAD[3] (€bn) | RWA (€bn) | Avg. Risk Weight |
|---|---|---|---|
| ROI Mortgages | 24.4 | 7.0 | 29% |
| UK Mortgages | 22.1 | 4.6 | 21% |
| SME | 15.9 | 11.6 | 73% |
| Corporate | 9.9 | 8.8 | 89% |
| Other Retail | 5.6 | 3.8 | 67% |
| **Customer lending credit risk** | **77.9** | **35.8** | **46%** |

- IRB approach accounts for:
  - 71% of credit EAD (Dec 2017: 70%)
  - 72% of credit RWA (Dec 2017: 73%)
- RWA has increased from €45.0bn at Dec 2017 to €45.8bn at June 2018 primarily driven by:
  - Changes in book size and quality (€0.7bn)
  - Impact of FX movements (€0.1bn)
- TRIM update:
  - As previously announced, CRT executed in Nov 2017 in anticipation of TRIM (c.50bps benefit included in Jun 18 CET1 ratio)
  - TRIM update: now largely complete for Irish mortgages - changes to credit risk models will be made in H2 2018; pro forma impact at Jun 2018: a reduction of c.70bps in fully loaded CET1 ratio
  - A range of potential options are available for consideration to offset this capital impact

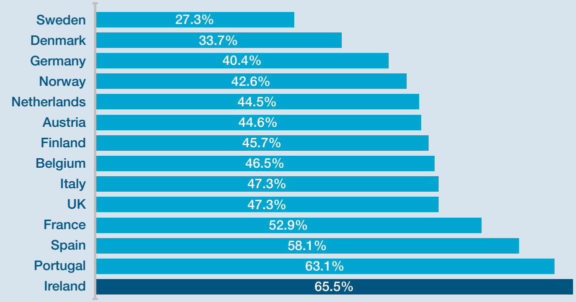
## EBA Transparency Exercise 2017

Country by Country Average IRB risk weights

### Residential Mortgages – June 2017




### Corporates – June 2017

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[1]EAD and RWA include both IRB and Standardised approaches and comprises both non-defaulted and defaulted loans
[2]Securitised exposures are excluded from the table (i.e. excludes exposures included in CRT executed in December 2017 and November 2016)
[3]Exposure at default (EAD) is a regulatory estimate of credit risk exposure consisting of both on balance exposures and off balance sheet commitments

# Ordinary shareholders' equity and TNAV

| Movement in ordinary shareholders' equity | 2017 (€m) | H1 2018 (€m) |
|---|---|---|
| **Ordinary shareholders' equity at beginning of period** | 8,612 | 8,859 |
| **Movements:** | | |
| Profit attributable to shareholders | 664 | 350 |
| Impact of adopting IFRS 9 | - | (113) |
| Dividends on preference equity interests | (4) | - |
| Distribution on other equity instruments – Additional Tier 1 coupon (net of tax) | (24) | - |
| Dividend paid to ordinary shareholders | - | (124) |
| Remeasurement of the net defined benefit pension liability | (113) | 159 |
| Debt instruments at FVOCI reserve movements | - | (58) |
| Available for sale (AFS) reserve movements | (9) | - |
| Cash flow hedge reserve movement | (115) | (37) |
| Liability credit reserve movements | - | 11 |
| Foreign exchange movements | (147) | 19 |
| Other movements | (5) | 8 |
| **Ordinary shareholders' equity at end of period** | **8,859** | **9,074** |

| Tangible net asset value | Dec 17 (€m) | Jun 18 (€m) |
|---|---|---|
| **Ordinary shareholders' equity at the end of period** | **8,859** | **9,074** |
| **Adjustments:** | | |
| Intangible assets and goodwill | (779) | (786) |
| Own stock held for benefit of life assurance policyholders | 33 | 28 |
| **Tangible net asset value (TNAV)** | **8,113** | **8,316** |
| **Number of ordinary shares in issue at the end of the period (millions of shares)** | **1,079** | **1,079** |
| **TNAV per share (€)** | **€7.52** | **€7.71** |

# Return on tangible equity (RoTE)

## H1 2018: Headline vs. Adjusted

| | H1 2018 Headline (€m) | Adjustments | | | H1 2018 Adjusted (€m) |
|---|---|---|---|---|---|
| | | Additional gains, & valuations items[1], net of tax | H1 2018 net impairment gains, net of tax | "Normalised" impairment adjustment, net of tax | |
| **Profit for the period** | **377** | | | | |
| Non-core items, net of tax | 39 | | | | |
| Coupon on Additional Tier 1 securities | (24) | | | | |
| Preference share dividends | (3) | | | | |
| **Adjusted profit after tax** | **389** | **16** | **(67)** | **(63)** | **275** |
| **Annualised profit after tax** | **778** | | | | **550** |
| **At June 2018** | | | | | |
| Shareholders' equity | 9,074 | | | | 9,074 |
| Intangible assets | (786) | | | | (786) |
| Shareholders' tangible equity | 8,228 | | | | 8,228 |
| **Average shareholders' tangible equity** | **8,120** | | | | **8,120** |
| **Return on tangible equity (RoTE)** | **9.6%** | | | | **6.8%** |

- **H1 2018 Adjusted Return on Tangible Equity is adjusted for;**
  - Additional gains and valuations items[1], net of tax – €16m
  - Reversal of H1 2018 net impairment gains 2018, net of tax – €67m
  - "Normalised" impairment charge (20bps), net of tax – €63m

[1]Excludes IFRS income classifications of €19m which is fully offset in net interest income

# Cost income ratio: June 2018

## Headline vs. Adjusted

| | H1 2018 Headline (€m) | Adjustments (€m) | H1 2018 Adjusted (€m) |
|---|---|---|---|
| **Net interest income** | **1,076** | **-** | **1,076** |
| **Other income** | | | |
| – Business income | 323 | - | 323 |
| – Additional gains | 10 | (10) | - |
| – Other valuation items[1] | (11) | 30 | 19 |
| **Total Income** | **1,398** | **20** | **1,418** |
| **Costs** | | | |
| – Operating expenses | 882 | - | 882 |
| – Transformation Investment | 51 | - | 51 |
| **Costs** | **933** | **-** | **933** |
| **Cost income ratio** | **67%** | | **66%** |

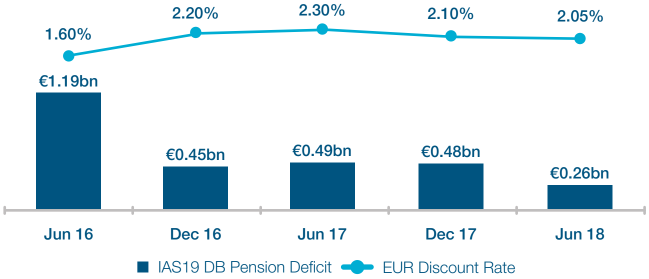
- **Cost income ratio excludes;**
  - Levies and Regulatory charges
  - Non-core items

- **H1 2018 adjusted cost income ratio is adjusted for;**
  - Additional Gains and valuation items[1] (€20m)

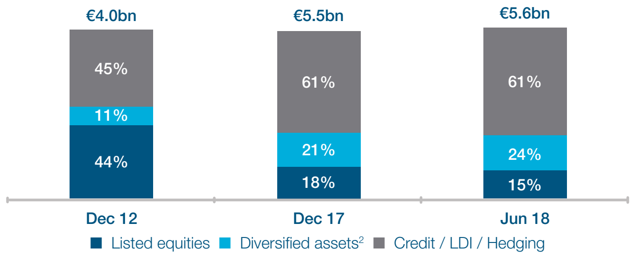
[1]Excludes IFRS income classifications of €19m which is fully offset in net interest income

# Defined Benefit Pension Schemes

## Group IAS19 Defined Benefit Pension Deficit

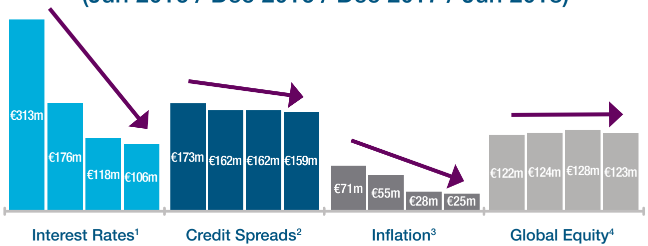



## Mix of BSPF Defined Benefit Pension Scheme Assets (%)[1]




[1]Graphs shows BSPF asset allocation. BSPF represents approx. 77% of DB Pension assets
[2]Diversified assets includes infrastructure, private equity, hedge funds and property

## IAS19 Pension Deficit Sensitivities (Jun 2016 / Dec 2016 / Dec 2017 / Jun 2018)




[1]Sensitivity of Group deficit to a 0.25% decrease in interest rates
[2]Sensitivity of IAS19 liabilities to a 0.10% decrease in credit spread over risk free rates
[3]Sensitivity of Group deficit to a 0.10% increase in long term inflation
[4]Sensitivity of deficit to a 5% decrease in global equity markets with allowance for other correlated diversified asset classes

- IAS19 Pension deficit of €0.26bn at Jun 2018: schemes in deficit €0.33bn, schemes in surplus €0.07bn
- The primary drivers of the movement were:
  - Strong asset performance in H1 2018;
  - Positive impact of changes in long term assumptions; and
  - Deficit reducing contributions of €25m to BSPF
- The improvement in the pension deficit reduced the regulatory capital deduction required by €160m (c.35bps)
- The Group continues to support the Trustees in taking action to improve the correlation between assets and liabilities and reduce volatility

# Forward-Looking statement

This document contains forward-looking statements with respect to certain of Bank of Ireland Group plc ('BOIG plc') and its subsidiaries' (collectively the '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, level of ownership by the Irish Government, loan to deposit ratios, expected impairment losses, the level of the Group's assets, the Group's financial position, future income, business strategy, projected costs, margins, future payment of dividends, the implementation of changes in respect of certain of the Group's pension schemes, 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.

Investors should read 'Principal Risks and Uncertainties' in the Group's Interim report for the 6 months ended 30 June 2018 beginning on page 38 and also the discussion of risk in the Group's Annual Report for the year ended 31 December 2017.

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

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