

# Bank of Ireland Credit Presentation

6 November 2015

Bank of Ireland 

For small steps, for big steps, for life



# Bank of Ireland Overview

# Bank of Ireland Overview H1 2015

## Strong Operating Performance

	H1 2014	H1 2015
Total income	€1,475m	€1,759m
Net interest margin (NIM)	2.05%	2.21%
Operating expenses	(€813m)	(€875m)
Impairments: Customer loans NAMA bonds	(€444m) €70m	(€168m) -
Underlying profit before tax <sup>1</sup>	€327m	€743m

## Robust balance sheet metrics

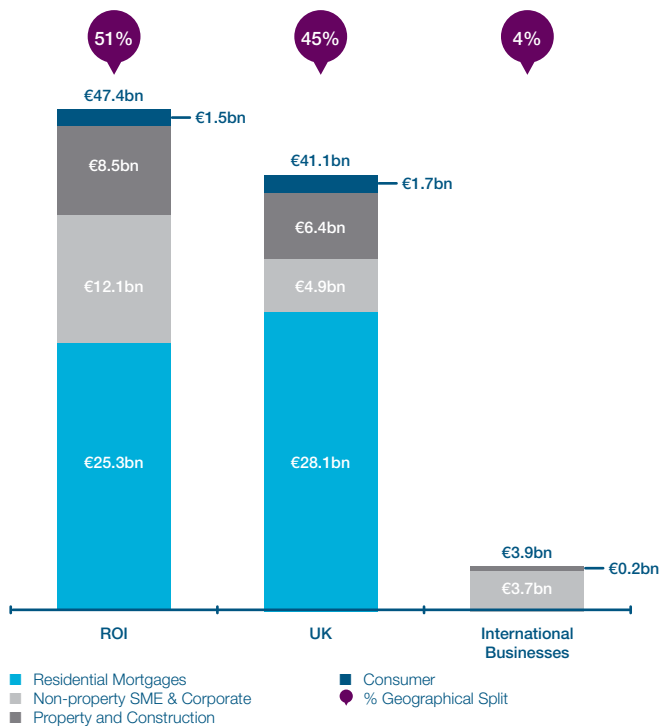
	Dec 14	Jun 15
Customer loans (net)	€82.1bn	€85.3bn
Defaulted loans	€14.3bn	€13.3bn
CET1 ratios: Transitional Fully Loaded (excl Prefs)	14.8% 9.3%	15.9% 11.1%
Total capital ratio	18.3%	20.7%
Liquidity metrics: NSFR LCR LDR	114% 98% 110%	118% 101% 108%

<sup>1</sup> Includes share of associates/JVs

- ▶ Underlying profit of €743m in H1 2015; >100% improvement over H1 2014
- ▶ NIM improved by 16 bps to 2.21%
- ▶ All trading divisions contributing to the Group's profitability
- ▶ Increased new lending by 50% over H1 2014
  - ▶ Largest lender to the Irish economy
  - ▶ UK mortgage lending of £1.3bn (£0.6bn H1 2014)
- ▶ Reduced defaulted loans to €13.3bn in H1 2015; (€5bn (27%) below H1 2013 peak), €12.5bn Sep 2015
- ▶ Organic capital accretion continued in H1 2015; 180bps increase in fully loaded CET1 to 11.1%
  - ▶ Transitional CET1 ratio of 15.8%, fully loaded CET1 ratio of 10.6% and total capital ratio of 20.7% at Sep 2015
- ▶ Positive credit rating action with return to Investment Grade by Moody's and Standard & Poor's

# Bank of Ireland Franchises

## Customer Loans<sup>1</sup>



<sup>1</sup> Gross loans and advances to customers at 30 Jun 2015 of €92.4bn.

## ROI – Leading bank in a growing economy

- ▶ Largest lender to the Irish economy in H1 2015
- ▶ Full service retail/commercial bank with #1 or #2 positions across all principal product lines
- ▶ # 1 Business and Corporate Bank
- ▶ Ireland's only bancassurer, 23% share of life assurance market

## UK – A leading consumer bank

- ▶ Exclusive financial services partner of UK Post Office; Legal & General and other partnerships also in place
- ▶ Recent announcement of long term AA partnership complementary to Post Office partnership
- ▶ Full service retail/commercial bank in Northern Ireland

## International Business – Acquisition finance business

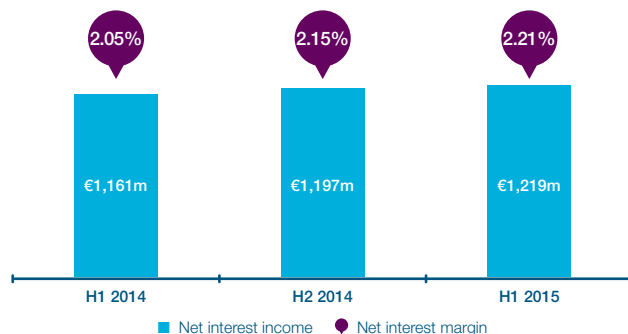
- ▶ Well recognised lead arranger/underwriter
- ▶ US/European business
- ▶ Focused on mid-market transactions
- ▶ Expertise developed over c.20 years

# Financial Performance

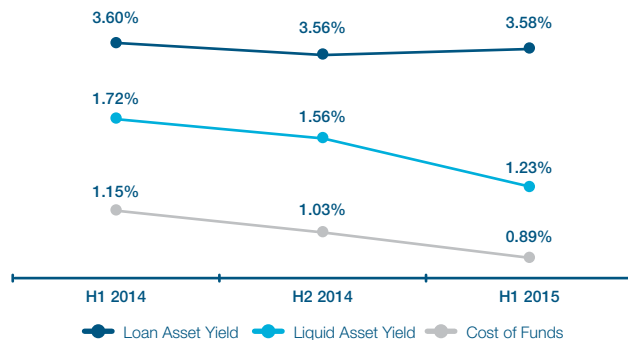
# Net interest income

Further growth in net interest income achieved in H1 2015

## Net interest income trend



## Net interest margin drivers



## Net interest income - €1,219m

- Delivered net interest income growth of €22m (c.2%) vs H2 2014 reflecting NIM growth and higher interest earning assets

## Average interest earning assets

- Increased to €109bn in H1 2015 from €108bn in H2 2014, driven predominantly by FX translation effects

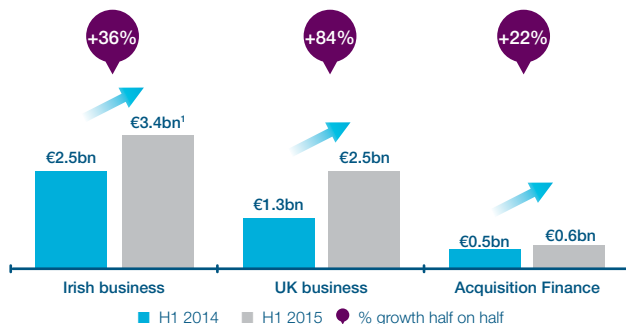
## NIM

- H1 NIM improved to 2.21% reflecting;
  - Lower funding costs;
  - Positive impact of new lending volumes; partially offset by;
  - Lower yields on replacement liquid assets following bond sales / maturities
- Q2 2015 NIM was 2.17%;
  - Reflects impact of bond sales and pre-funding of planned UK mortgage growth in H1 2015
- Expect modest growth from Q2 level reflecting benefits of lower funding costs and new lending, partially offset by impact of lower liquid asset yields
- Q3 NIM was 2.18%

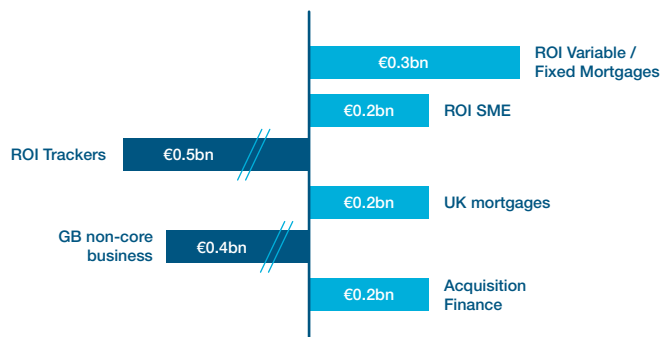
# Loans and advances to customers

Group new lending up 50% to €6.5bn in H1 2015

## New lending volumes



## Net lending growth for selected books<sup>2</sup>



- ▶ Customer loans (net of provisions), increased by c.€3.2bn to €85.3bn (FX translation benefit of €3.6bn)
- ▶ New lending amounted to €6.5bn<sup>1</sup> in H1 2015;
  - ▶ Up 50% vs H1 2014
  - ▶ Irish businesses new lending up 36%, customer credit appetite increasing as recovery continues
  - ▶ Substantial increase in UK business new lending up 84%; primarily reflects success of mortgage strategy
- ▶ Group redemptions of €6.9bn in H1 2015 include
  - ▶ Cash payments on defaulted loans redemptions / sales €0.7bn
  - ▶ ROI tracker redemptions of €0.5bn (with a further €0.2bn reduction primarily relating to conversions to variable rate)
  - ▶ GB non-core business banking book redemptions of €0.4bn
- ▶ Confident of further progress in H2 and beyond
  - ▶ Growth in underlying economies provides supportive backdrop
  - ▶ Good momentum in our Irish and UK businesses

<sup>1</sup>Includes €0.5bn in respect of IBRC mortgages and Danske business portfolio acquisitions completed during H1 2015.

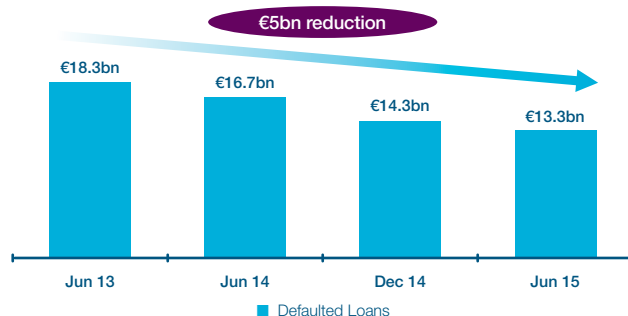
<sup>2</sup>Shows gross new lending less redemptions in H1 2015. New lending includes portfolio acquisitions.



# Asset Quality

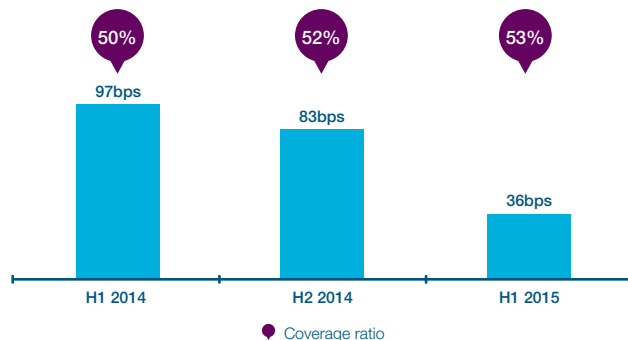
# Defaulted loans and impairment charge

## Defaulted loan volumes



- ▶ €1bn reduction during H1 2015, notwithstanding FX translation headwinds of c.€0.4bn:
  - ▶ Reductions in all asset classes
  - ▶ €5bn or 27% reduction since peak in Jun 13
- ▶ Further €0.8bn reduction in Q3 2015; expect level of defaulted loans to continue to reduce

## Impairment charge on customer loans

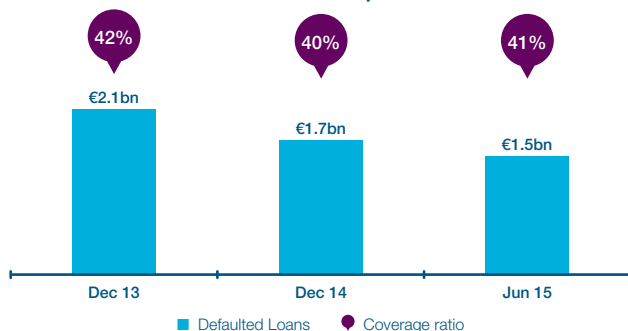


- ▶ Charge of 36 bps for H1 2015 vs 97bps in H1 2014
- ▶ Reduced charge across all loan portfolios
- ▶ Coverage ratio increased to 53% (52% at Dec 14)
- ▶ Expect H2 impairment charge to remain at broadly similar levels to H1 charge

# ROI Mortgages: €25.3bn

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## Owner Occupied



## Owner Occupied: €20.0bn

- ▶ Reduced defaulted loans by 12% to €1.5bn in 2015
- ▶ Arrears at <50% of industry<sup>1</sup>
- ▶ BOI arrears >720 days reducing and at 39% of industry<sup>2</sup>
- ▶ 50% or €9.9bn of mortgages are ECB trackers (Dec 14: €10.2bn)

## Buy to Let: €5.3bn



- ▶ Reduced defaulted loans by 13% to €1.3bn in 2015
- ▶ Arrears at <60% of industry<sup>3</sup>
- ▶ BOI arrears >720 days reducing and at 43% of industry<sup>4</sup>
- ▶ 72% or €3.8bn of mortgages are ECB trackers (Dec 14: €4.2bn)

## Impairment credit

- ▶ Impairment credit of €32m reflects improved portfolio performance

<sup>1</sup> At June 2015, BOI owner occupier arrears level (based on number of accounts >90 days in arrears) was 4.77% compared to 10.56% for industry excl BOI

<sup>2</sup> At June 2015, BOI owner occupier arrears (based on number of accounts >720 days in arrears) was 2.27% compared to 5.80% for the industry excl BOI

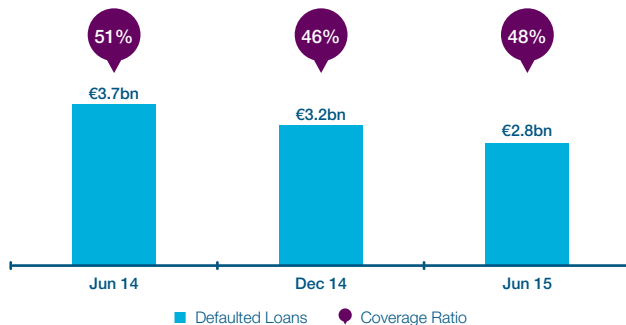
<sup>3</sup> At June 2015, BOI buy to let arrears level (based on number of accounts >90 days in arrears) was 12.10% compared to 21.06% for industry excl BOI

<sup>4</sup> At June 2015, BOI buy to let arrears (based on number of accounts >720 days in arrears) was 5.51% compared to 12.82% for the industry excl BOI

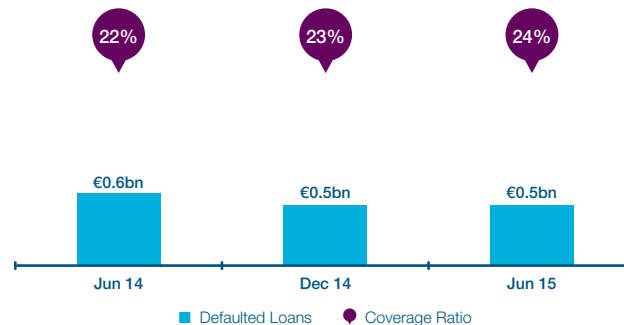
## Defaulted loans by portfolio

Defaulted loans reducing across all portfolios

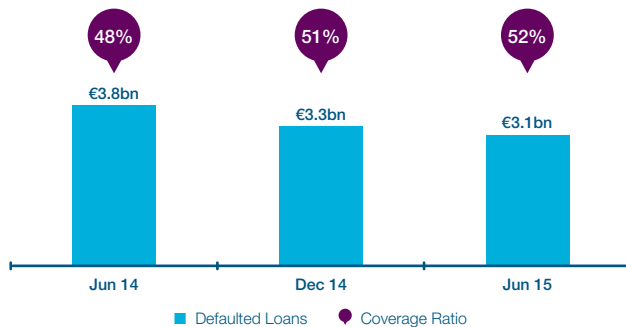
### ROI Mortgages



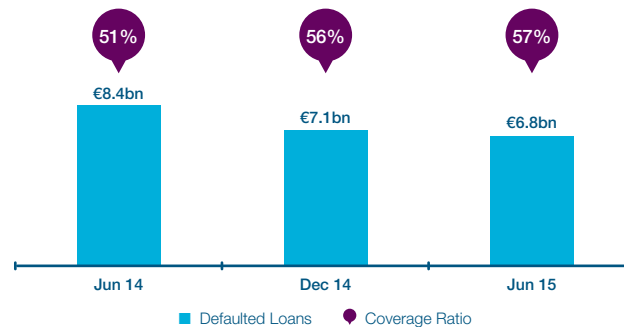
### UK Mortgages



### Non property SME and Corporate



### Property and Construction







# Funding & Capital

# Funding Update

	Dec 14 €bn	Jun 15 €bn
<b>Customer Deposits</b>	<b>75</b>	<b>79</b>
<i>Retail Ireland</i>	37	38
<i>Retail UK</i>	26	29
<i>Corporate</i>	12	12
<b>Wholesale Funding</b>	<b>20</b>	<b>15</b>
<i>Private Markets</i>	16	14
<i>Monetary Authority</i>	4	1
<b>Liquidity Metrics</b>		
<i>NSFR</i>	114%	118%
<i>LCR</i>	98%	101%
<i>LDR</i>	110%	108%

## Credit Ratings of BOI Debt Securities

Rating Agencies	Senior unsecured	Covered Bond
<b>Moody's</b>	Baa2 Outlook Stable 	Aa1 
<b>Standard &amp; Poor's</b>	BBB- Outlook Positive 	N/A
<b>DBRS</b>	N/A	AA (low) 

as of 06 Nov 2015

## Customer deposits – €79bn Jun 15

- ▶ Funding >90% of customer loans
- ▶ Diversified stable source of deposit funding
  - ▶ ROI €38bn, UK €29bn (£21bn) and Corporate €12bn
- ▶ Predominantly retail customer oriented
- ▶ Customer deposits of €78bn at Sep 15

## Wholesale funding – €15bn Jun 15 (unchanged at Sep 15)

- ▶ Continuing to access wholesale markets at economic costs
  - ▶ c.€3.6bn debt issuance YTD Oct 15
- ▶ Repaid c.€3bn of ECB funding during H1 2015

## Credit Ratings – Positive action

- ▶ Upgrade of senior debt rating to Investment Grade by Moody's (May 15) and S&P (July 15)
- ▶ Strong covered bond credit ratings; Moody's upgrade to Aa1 in May 15 and DBRS upgrade to AA (low) in Oct 15

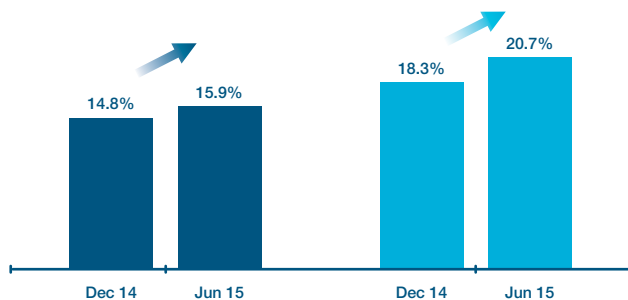
# Capital<sup>1</sup>

On track to de-recognise 2009 Preference Shares

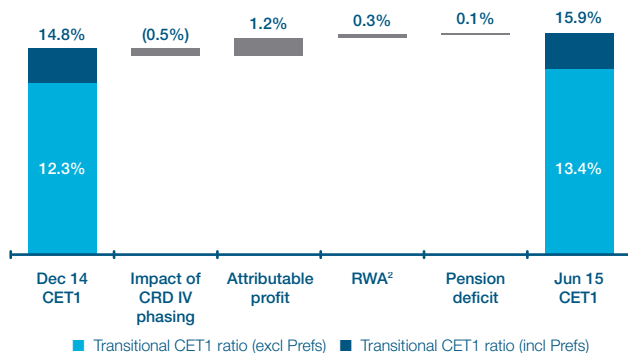
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CET1 ratio

Total capital ratio



Transitional CET1 Ratio Capital Build



- ▶ Significant pace of organic capital accretion continued in H1 2015
- ▶ Robust CET1 ratios
  - ▶ Transitional CET1 ratio of 15.9% at H1 2015; 15.8% at Sep 2015
  - ▶ Continue to expect to maintain a buffer above a CET1 ratio of 10%, taking account of the transitional rules and our intention to de-recognise 2009 Preference Shares between Jan 16 and Jul 16
  - ▶ Fully loaded CET1 ratio (excl Prefs) of 11.1%; 10.6% at Sep 2015
  - ▶ Total capital ratio of 20.7%; reflects CET1 increase and €750m of AT1 issuance in June 2015; 20.7% at Sep 2015
- ▶ Transitional leverage ratio of 7.5%; fully loaded leverage ratio (excl Prefs) of 5.4%
- ▶ RWA density of 40%<sup>3</sup> (46% excluding BOI Life assets)
- ▶ On track to de-recognise 2009 Preference Shares (€1.3bn) between Jan 16 and Jul 16

<sup>1</sup> Capital ratios have been presented including the benefit of the retained profit for the period.

<sup>2</sup> RWA movement is calculated on a constant currency basis.

<sup>3</sup> RWA density calculated as RWAs / total balance sheet assets as at June 2015.

# **Irish Economy Overview**



# Favourable macroeconomic environment and outlook

Ireland is...

Bank of Ireland Group 

## Growing

- ▶ Fastest growing economy in Europe
- ▶ GDP increased by 6.7% year-on-year in Q2 2015
- ▶ Growth of 6.2% forecast for the full year, 4.8% in 2016
- ▶ Increasing activity supporting employment & incomes

## Rebalancing

- ▶ Domestic demand and net exports to contribute to growth in 2015 & 2016
- ▶ Year-on-year gains in exports, investment and consumer spending in Q2
- ▶ Quarterly growth across all sectors in Q2

## Attractive

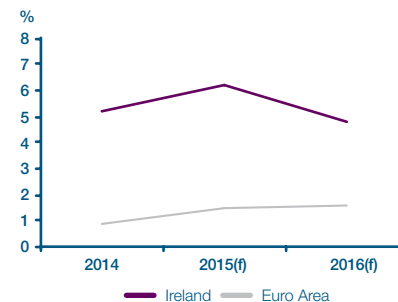
- ▶ Flexible, small open economy
- ▶ Globalised and competitive – c.33% more productive per person than euro area
- ▶ Leading FDI hub with young educated workforce
- ▶ Domestic economy strengthening

## GDP

**2014: 5.2%**  
**2015f: 6.2%**  
**2016f: 4.8%**

**Level of real GDP  
now back above  
2007 peak**

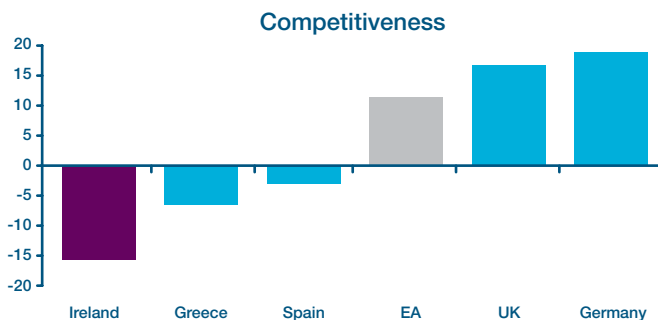
## Ireland leading the way



Graph shows annual real GDP growth  
Source: CSO, Eurostat; Forecasts: Ireland: Bol ERU Euro area: IMF

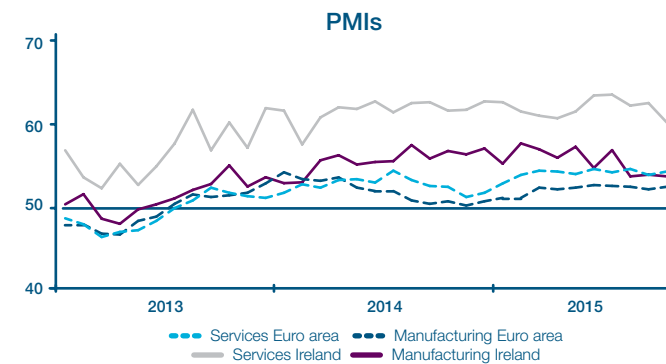
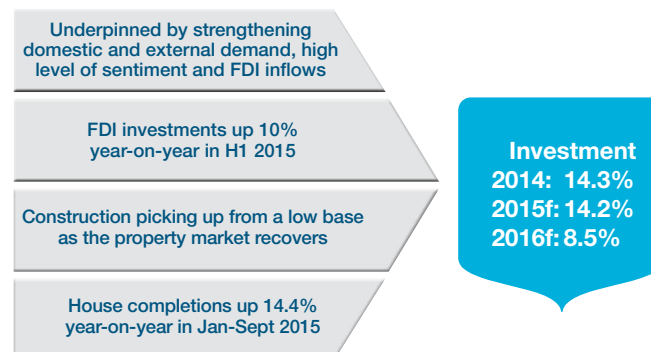
Sources: BOI Economic Research Unit, Central Statistics Office

## Strong export performance



Graph shows change in unit labour costs 2009-2017. Source: EU Commission

## Investment gaining ground



Graph shows PMI indices. Source: Markit

## Employment rising

Over 130,000 new jobs since start of 2012, gains broadening out across sectors and regions

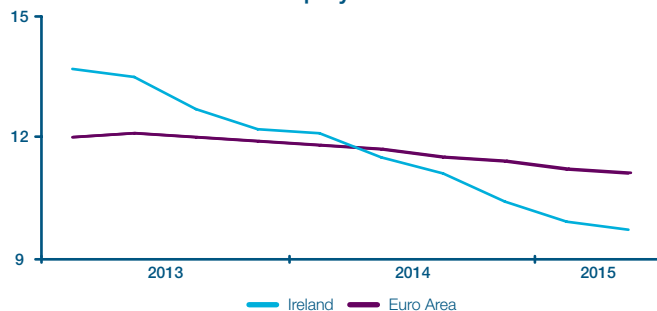
Unemployment rate well below euro area average, down to 9.3% from a peak of c.15 %

Rate projected to fall to close to 9% by end 2015 and c.8% by end 2016

Young educated workforce - in top 10 of IMD World Talent Ranking

**Employment**  
2014: 1.7%  
2015f: 2.7%  
2016f: 2.4%

### Unemployment Rate



Graph shows seasonally adjusted unemployment rate by quarter. Source: CSO, Eurostat

## Consumer returning

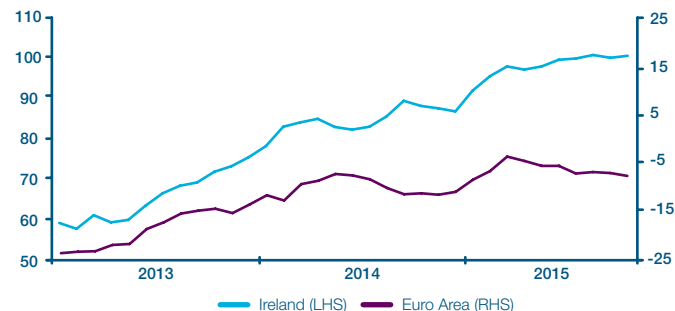
Core retail sales rose 6.2% year-on-year in Jan - Sept 2015, new car sales up 31.7% in same period

High consumer confidence, rising employment & incomes and low inflation are supporting spending

Consumption growth to continue, albeit deleveraging a headwind

**Consumer Spending**  
2014: 2.0%  
2015f: 3.2%  
2016f: 3.2%

### Consumer Confidence

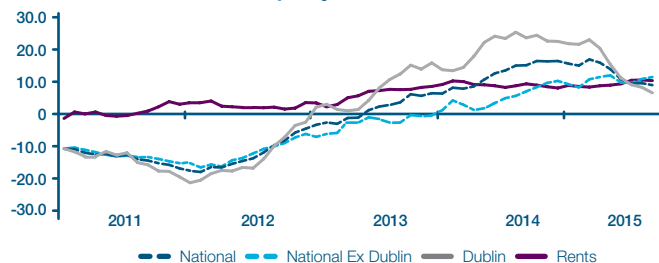


Graph shows consumer confidence indices for Ireland (3m MA) and Euro Area. Source: ESRI, EU Commission

## Property market recovering

- ▶ Residential and commercial activity improving
- ▶ Residential transactions up c27% year-on-year in Jan - Aug 2015 (cash purchases c.50% of market in H1 2015)
- ▶ Volume of mortgages up 44% year-on-year in H1 2015; cost of servicing average 25 year mortgage < 30% of gross income versus peak of c. 45%
- ▶ House prices rising, albeit at a slower pace than in 2014
- ▶ Supply shortages in urban areas – supporting construction activity

Property Prices and Rents



Graph shows year-on-year change in residential property prices and private rents  
Source: CSO

Commercial

Capital Growth 21.7%

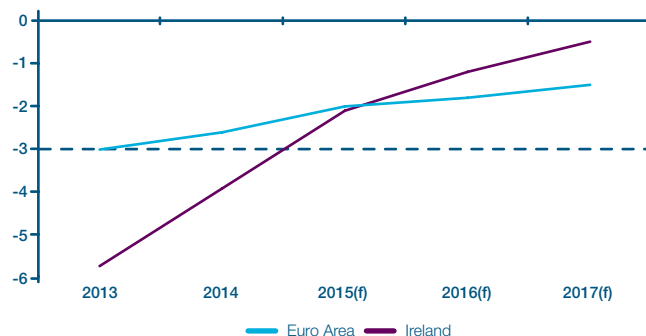
Rental Growth 17.4%

Graph shows year-on-year change Q3 2015.  
Source: IPD

## Public finances improving

- ▶ 7-year consolidation programme ended in 2014
- ▶ Budget 2016 package injects €1.5bn into economy
- ▶ Deficit projected to fall to 2.1% of GDP this year; debt to GDP ratio down to 97% by year end and Euro area average by end of 2016
- ▶ Ireland is fully engaged in debt markets, sovereign yields at low levels (approaching semi-core, well below peripherals), rating upgraded

General Government Deficit



Graph shows general Government deficit as a % of GDP.  
Source: IE dept of finance stability programme and EU Com Spring outlook

# **Additional Information**

## Additional Information

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## Group Income Statement

Underlying profit more than doubled to €743m

	H1 2014 (€m)	H1 2015 (€m)	% Change
Total income	1,475	1,759	19%
Net interest income	1,161	1,219	5%
Other income (net)	335	545	63%
ELG fees	(21)	(5)	76%
Operating expenses	(813)	(875)	(8%)
Operating profit pre-impairment	662	884	34%
Impairment charge	(374)	(168)	55%
Customer loans	(444)	(168)	62%
NAMA bonds	70	-	-
Share of associates / JVs	39	27	(31%)
<b>Underlying profit before tax</b>	<b>327</b>	<b>743</b>	<b>127%</b>
Non-core items	72	(18)	-
Statutory profit before tax	399	725	82%

- ▶ Underlying profit more than doubled to €743m in H1 2015
- ▶ Pre-provision operating profit up €222m (34%)
  - ▶ Increased Net interest income by €58m; higher net interest margin partially offset by lower interest earning assets
  - ▶ Other income of €545m; reflecting good momentum in our business income and additional gains
  - ▶ Lower cost / income ratio of 50% (H1 2014: 55%)
- ▶ Impairment charge reduced by >60% to €168m / 36bps
- ▶ Underlying PBT includes additional gains of €228m (H1 2014 €140m)
  - ▶ Liquid asset portfolio rebalancing (€171m)
  - ▶ Sale of investment properties / other assets (€57m)

# BOI Overview

## Income Statement<sup>1</sup>

	y/e Dec 11 (€m)	y/e Dec 12 (€m)	y/e Dec 13 (€m)	y/e Dec 14 (€m)	Jun 15 (6 month) (€m)
Total income	2,058	1,862	2,646	2,974	1,759
Net interest income	1,983	1,755	2,133	2,358	1,219
Other income	524	495	642	653	545
ELG fees	(449)	(388)	(129)	(37)	(5)
Operating expenses	(1,645)	(1,638)	(1,576)	(1,635)	(875)
Bank levy <sup>2</sup>	-	-	-	(38)	-
Operating profit pre-impairment	413	224	1,070	1,301	884
Impairment charge	(1,971)	(1,769)	(1,665)	(472)	(168)
Customer loans	(1,939)	(1,724)	(1,665)	(542)	(168)
AFS <sup>3</sup>	(32)	(45)	-	70	-
Share of associates / JVs	39	46	31	92	27
<b>Underlying (loss) / profit before tax</b>	<b>(1,519)</b>	<b>(1,499)</b>	<b>(564)</b>	<b>921</b>	<b>743</b>
Non core items	1,329	(679)	44	(1)	(18)
Statutory (loss) / profit before tax	(190)	(2,178)	(520)	920	725
NIM	1.33%	1.25%	1.84%	2.11%	2.21%
Cost / income	79%	88%	60%	55%	50%

<sup>1</sup>Figures as reported, with the exception of y/e Dec 13 which includes a €5m reduction in operation expenses relating to IFRIC 21 adjustments.

<sup>2</sup>Irish bank levy is a 3 year levy for 2014 to 2016, that is accounted for in the second half of each year.

<sup>3</sup>Includes impairment charge and losses on assets sold to NAMA.



# BOI Overview

## Summary Balance Sheet<sup>1</sup>

	Dec 11 (€bn)	Dec 12 (€bn)	Dec 13 (€bn)	Dec 14 (€bn)	Jun 15 (€bn)
Net Customer Loans <sup>2</sup>	102	93	85	82	85
Liquid assets	31	33	27	25	24
Other assets	10	9	6	7	6
<b>Total Assets</b>	<b>143</b>	<b>135</b>	<b>118</b>	<b>114</b>	<b>115</b>
Customer deposits	71	75	74	75	79
Wholesale funding	51	39	27	20	15
Private Sources	28	24	19	16	14
Monetary Authorities	23	15	8	4	1
Subordinated liabilities	1	2	2	2	3
Other liabilities	10	10	7	8	8
Stockholders' equity	10	9	8	9	9
Other equity instruments	-	-	-	-	1
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>143</b>	<b>135</b>	<b>118</b>	<b>114</b>	<b>115</b>
CET1 / Core Tier 1 Ratio <sup>3</sup>	14.3%	14.4%	12.3%	14.8%	15.9%
Total capital ratio <sup>3</sup>	14.7%	15.3%	14.1%	18.3%	20.7%
Loan to deposit ratio	144%	123%	114%	110%	108%

<sup>1</sup> Balance sheet excludes BOI Life assets and liabilities.

<sup>2</sup> Loans and advances to customers is stated after impairment provisions.

<sup>3</sup> CET1 / Core Tier 1 and total capital ratios are stated under Basel II rules as amended for PCAR requirements for 2011 - 2012 and under Basel III transitional rules for 2013 - 2015.

# BOI Overview

## Financial targets

Metrics	Target	H1 2015	Status
<b>Balance Sheet</b>			
Loans and advances to customers <sup>1</sup>	c.€90bn	€85bn	On track
Group loan / deposit ratio	≤120%	108%	✓
Transitional CET1 ratio	Buffer maintained >10%	15.9%	✓
ELG covered liabilities ELG fees	Fully disengaged	€1bn €5m	✓
<b>Profitability</b>			
Net interest margin	>2.0%	2.21%	✓
Cost / income ratio	<50%	c.50%	On track
Impairment charge <sup>2</sup>	55-65bps	36bps	✓

<sup>1</sup>Loans and advances to customers are stated net of impairment provisions.

<sup>2</sup>Annual impairment charge on customer loans as a % of average gross loans for the period.

# Income Statement

Divisional performance

Bank of Ireland Group 

## 6 months ended Jun 15

	Retail Ireland (€m)	Bank of Ireland Life (€m)	Retail UK (€m)	Corporate & Treasury (€m)	Group Centre & Other (€m)	Group (€m)
Operating profit / (loss) before impairment charge	315	58	152	429	(70)	884
Impairment charge	(59)	-	(75)	(34)	-	(168)
Share of results of associates and joint ventures	5	-	22	-	-	27
<b>Underlying profit / (loss) before tax</b>	<b>261</b>	<b>58</b>	<b>99</b>	<b>395</b>	<b>(70)</b>	<b>743</b>

## 6 months ended Jun 14

	Retail Ireland (€m)	Bank of Ireland Life (€m)	Retail UK (€m)	Corporate & Treasury (€m)	Group Centre & Other (€m)	Group (€m)
Operating profit / (loss) before impairment charge	236	69	152	349	(144)	662
Impairment (charge) / reversals	(285)	-	(113)	(46)	70	(374)
Share of results of associates and joint ventures	21	-	18	-	-	39
<b>Underlying (loss) / profit before tax</b>	<b>(28)</b>	<b>69</b>	<b>57</b>	<b>303</b>	<b>(74)</b>	<b>327</b>

# Income Statement

## Other income analysis (net)

	H1 2014 (€m)	H1 2015 (€m)
Retail Ireland	156	167
Bank of Ireland Life	71	81
Retail UK (net)	7	5
Corporate and Treasury	66	71
Group Centre and other	(17)	(5)
<b>Business income</b>	<b>283</b>	<b>319</b>
<b>Other gains</b>		
Transfer from available for sale reserve on asset disposal	89	206
- <i>Sovereign bonds</i>	80	171
- <i>Other financial instruments</i>	9	35
Gain on disposal and revaluation of investment property	3	22
<b>Other Valuation items</b>		
Financial instrument valuation adjustments (CVA, DVA, FVA and other)	(15)	25
Fair value movement on Contingent Capital Note (CCN) embedded derivative	(21)	(8)
Investment variance - Bank of Ireland Life	9	10
Economic assumptions - Bank of Ireland Life	14	-
IFRS income classification	(27)	(29)
<b>Other Income</b>	<b>335</b>	<b>545</b>

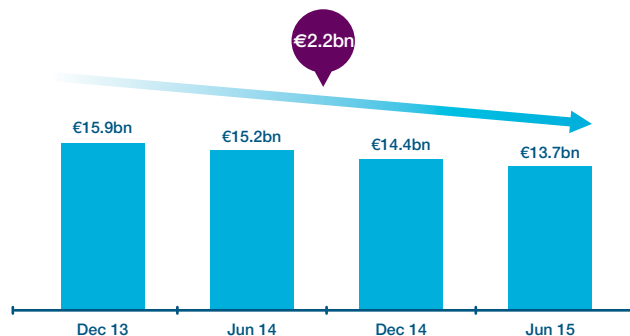
# Income Statement

## Non-core items

	H1 2014 (€m)	H1 2015 (€m)
Cost of restructuring programme	(27)	(18)
Gross-up for policyholder tax in the Life business	8	10
Gain / (Charge) arising on the movement in Group's credit spreads	8	(8)
Impact of changes to pension benefits in the Group sponsored defined benefit schemes	87	3
Payments in respect of the career and reward framework	-	(3)
Loss on liability management exercises	(3)	(1)
Investment return on treasury stock held for policyholders	-	(1)
Loss on disposal of business activities	(1)	-
<b>Total non-core items</b>	<b>72</b>	<b>(18)</b>

# ECB tracker mortgage loan book

Irish tracker book (gross)



## Volume of loans

- ▶ Reduced by €0.7bn since Dec 14
- ▶ €12.2bn or 89% of trackers at Jun 15 are on a capital and interest repayment basis

## Margin impacts

	Jun 2015 (bps)
Customer pay rate at Jun	112
- ECB repo rate <sup>1</sup>	5
- Average fixed spread	107
Cost of funds <sup>2</sup>	89
Net interest margin	23

## Net interest margin

- ▶ Net interest margin from ECB tracker mortgages is c.23bps compared to Group net interest margin (including ECB trackers) of 221bps in H1 2015

<sup>1</sup>ECB repo rate at period end.

<sup>2</sup>Average cost of funds (annualised) to BOI in H1 2015.

## Asset Quality

Profile of customer loans<sup>1</sup> at Jun 15 (gross)

	ROI (€bn)	UK (€bn)	RoW (€bn)	Total (€bn)	Total (%)
Mortgages	25.3	28.1	-	53.4	58%
Non-property SME and corporate	12.1	4.9 <sup>2</sup>	3.7	20.7	22%
<i>SME</i>	9.5	2.6	-	12.1	13%
<i>Corporate</i>	2.6	2.3	3.7	8.6	9%
Property and construction	8.5	6.4	0.2	15.1	16%
<i>Investment property</i>	6.8	5.5	0.2	12.5	14%
<i>Land and development</i>	1.7	0.9	-	2.6	2%
Consumer	1.5	1.7	-	3.2	4%
<b>Customer loans (gross)</b>	<b>47.4</b>	<b>41.1</b>	<b>3.9</b>	<b>92.4</b>	<b>100%</b>
Geographic (%)	51%	45%	4%	100%	

<sup>1</sup>Based on geographic location of customer.

<sup>2</sup>Includes €2.2bn relating to GB business and corporate loan books, which BOI is required to run down under its EU approved Restructuring Plan.

## Asset Quality

### Defaulted customer loans & impairment provisions

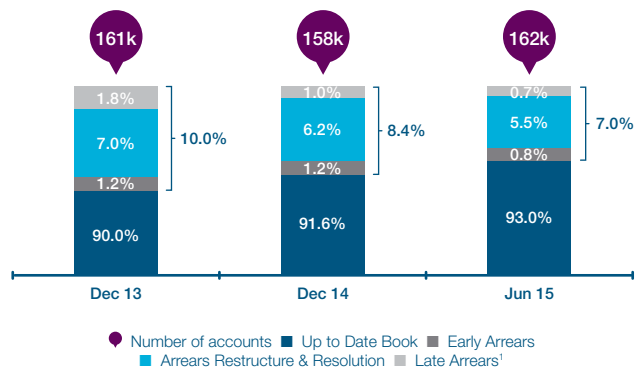
Bank of Ireland Group 

Composition (Jun 15)	Advances (€bn)	Defaulted Loans (€bn)	Defaulted Loans as % of advances	Impairment Provisions (€bn)	Impairment Provisions as % of defaulted loans
<b>Residential mortgages</b>	<b>53.4</b>	<b>3.3</b>	<b>6.2%</b>	<b>1.5</b>	<b>44%</b>
- Retail Ireland	25.3	2.8	11.1%	1.4	48%
- Retail UK	28.1	0.5	1.8%	0.1	24%
<b>Non-property SME and corporate</b>	<b>20.7</b>	<b>3.1</b>	<b>15.0%</b>	<b>1.6</b>	<b>52%</b>
- Republic of Ireland SME	9.5	2.3	24.3%	1.2	52%
- UK SME	2.6	0.4	13.9%	0.2	46%
- Corporate	8.6	0.4	5.1%	0.2	59%
<b>Property and Construction</b>	<b>15.1</b>	<b>6.8</b>	<b>44.9%</b>	<b>3.9</b>	<b>57%</b>
- Investment	12.5	4.5	35.8%	2.2	48%
- Land and development	2.6	2.3	90.1%	1.7	75%
<b>Consumer</b>	<b>3.2</b>	<b>0.1</b>	<b>5.3%</b>	<b>0.1</b>	<b>100%</b>
<b>Total loans and advances to customers</b>	<b>92.4</b>	<b>13.3</b>	<b>14.4%</b>	<b>7.1</b>	<b>53%</b>
Composition (Dec 14)	Advances (€bn)	Defaulted Loans (€bn)	Defaulted Loans as % of advances	Impairment Provisions (€bn)	Impairment Provisions as % of defaulted loans
<b>Residential mortgages</b>	<b>51.0</b>	<b>3.7</b>	<b>7.3%</b>	<b>1.6</b>	<b>43%</b>
- Retail Ireland	25.6	3.2	12.6%	1.5	46%
- Retail UK	25.4	0.5	2.0%	0.1	23%
<b>Non-property SME and corporate</b>	<b>20.3</b>	<b>3.3</b>	<b>16.4%</b>	<b>1.7</b>	<b>51%</b>
- Republic of Ireland SME	9.6	2.5	25.6%	1.3	51%
- UK SME	2.5	0.4	16.9%	0.2	44%
- Corporate	8.2	0.4	5.6%	0.2	54%
<b>Property and Construction</b>	<b>15.2</b>	<b>7.1</b>	<b>46.5%</b>	<b>3.9</b>	<b>56%</b>
- Investment	12.5	4.7	37.2%	2.1	46%
- Land and development	2.7	2.4	89.5%	1.8	74%
<b>Consumer</b>	<b>3.0</b>	<b>0.2</b>	<b>6.4%</b>	<b>0.2</b>	<b>98%</b>
<b>Total loans and advances to customers</b>	<b>89.5</b>	<b>14.3</b>	<b>16.0%</b>	<b>7.4</b>	<b>52%</b>



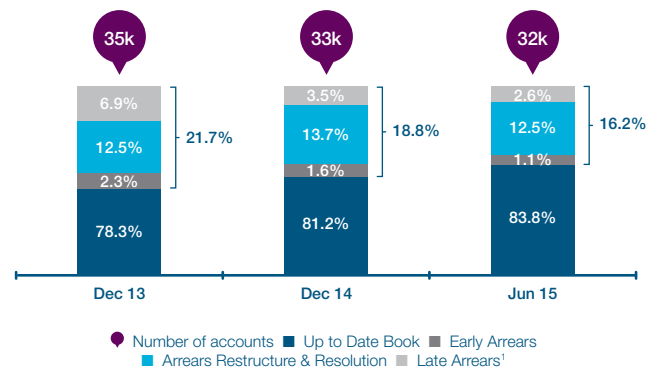
# ROI Mortgage book profile

## ROI Owner Occupier - book profile



- ▶ 93% of mortgage accounts are in the up to date book
- ▶ 95% on a capital and interest repayment basis (Dec 14: 94%)
- ▶ Since December 2013, accounts in arrears have reduced by 29% or 4.7k accounts
- ▶ 9 out of 10 accounts in forbearance are meeting the terms of their arrangement

## ROI Buy to Let - book profile

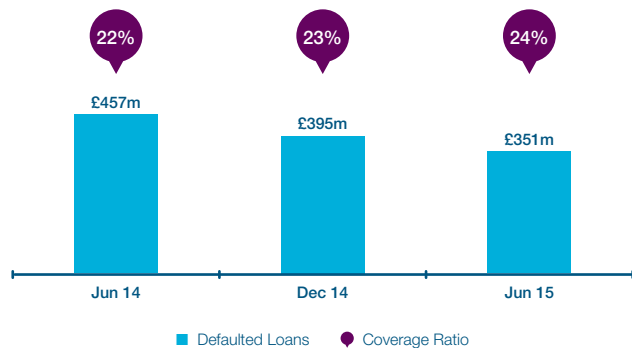


- ▶ 84% of mortgage accounts are in the up to date book
- ▶ 73% on a capital and interest repayment basis (Dec 14: 70%)
- ▶ Since December 2013, accounts in arrears have reduced by 32% or 2.4k accounts
- ▶ 9 out of 10 accounts in forbearance are meeting the terms of their arrangement

<sup>1</sup>Late arrears is defined as any account greater than 90 days past due, or impaired and excludes arrears restructure and resolution.

## UK Residential mortgages: £20.0bn/€28.1bn

Defaulted loan volumes



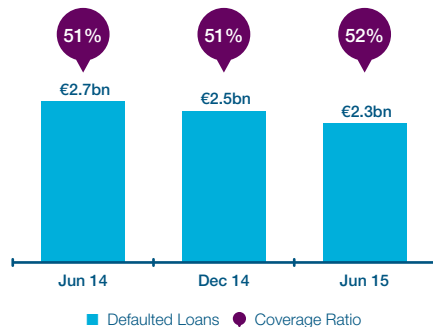
- ▶ UK residential mortgage books continue to perform well
- ▶ Impairment reversal reflects on-going favourable economic and property market conditions and continued low level of arrears

	June 14	Dec 14	June 15
Impairment charge (6-month)	(£3m)	(£3m)	(£2m)

## SME & Corporate loans: €20.7bn

Bank of Ireland Group 

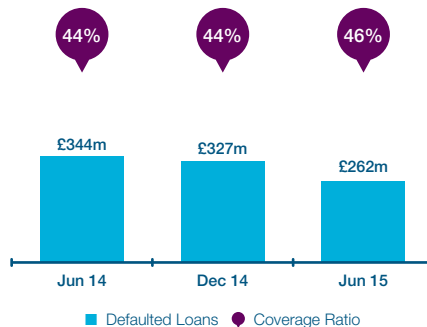
### ROI SME - €9.5bn



	Jun 14	Dec 14	Jun 15
Impairment charge (6-month)	€64m	€63m	€46m

- ▶ Reduced impairment charge reflects general improvements in economic and trading conditions in the Irish SME sector
- ▶ We have restructuring and resolution arrangements in place with 9 out of 10 challenged customers; >90% of restructured customers meeting their agreed arrangements

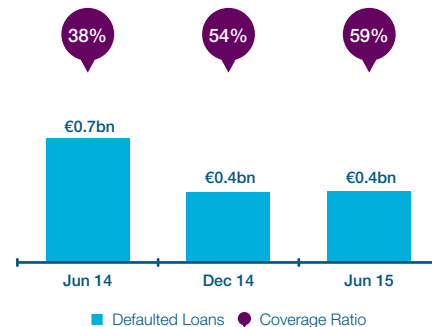
### UK SME - £1.9bn / €2.6bn



	Jun 14	Dec 14	Jun 15
Impairment charge (6-month)	£17m	(£3m)	(£2m)

- ▶ H1 reversal - portfolio benefitting from continued positive macroeconomic conditions

### Corporate - €8.6bn



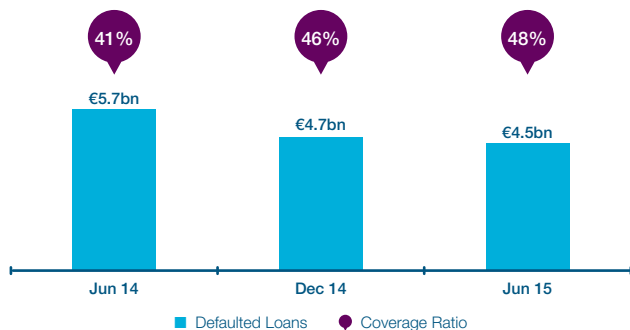
	Jun 14	Dec 14	Jun 15
Impairment charge (6-month)	€44m	€30m	€31m

- ▶ Domestic Irish and international corporate portfolios continue to perform well

## Property & Construction: €15.1bn

Bank of Ireland Group 

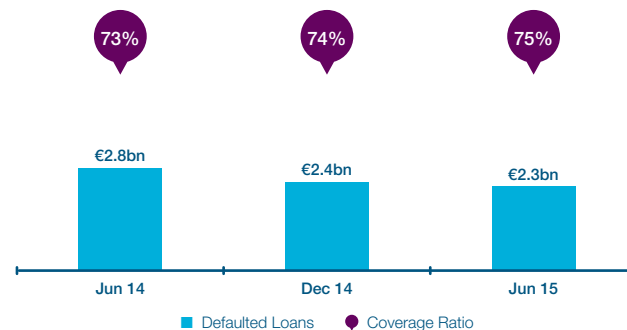
### Investment Property - €12.5bn



	Jun 14	Dec 14	Jun 15
Impairment charge (6-month)	€135m	€172m	€94m

- ▶ Continued progress in reducing defaulted loans - reduction would have been c.€0.2bn higher on a constant FX basis
- ▶ Reduced charge reflects continued recovery in ROI / UK investment property markets

### Land and Development - €2.6bn



	Jun 14	Dec 14	Jun 15
Impairment charge (6-month)	€80m	€64m	€35m

- ▶ 90% of loans are in default with a coverage ratio of 75%

## Asset Quality

Available for Sale Financial Assets

Bank of Ireland Group 

Carrying Value	ROI €bn	UK €bn	Spain €bn	Other €bn	Jun 15 €bn	Dec 14 €bn
Sovereign bonds	2.6	0.7	0.3	1.7	5.3	8.3
Covered bonds	0.3	0.3	0.6	1.1	2.3	2.5
Senior debt	-	-	-	1.6	1.6	2.3
Subordinated debt	0.3	-	-	-	0.3	0.2
Asset backed securities	-	0.1	-	0.1	0.2	0.3
<b>Total</b>	<b>3.2</b>	<b>1.1</b>	<b>0.9</b>	<b>4.5</b>	<b>9.7</b>	<b>13.6</b>
AFS Reserve	0.5	-	-	-	0.5	0.6

### Ireland

- ▶ Performance of Irish sovereign bonds - AFS reserve reduced by €0.1bn (net) in H1 2015
- ▶ In H1 2015, €1.5bn nominal value (€1.9bn fair value) of euro denominated bonds were reclassified from AFS to Held to Maturity
- ▶ NAMA subordinated bond - €0.3bn nominal value, valued at 92% (Dec 14 - 83%)
- ▶ Separately, BOI has €1.9bn of NAMA senior bonds (Dec 14: €2.4bn)

### Other exposures

- ▶ Supra-national - €1.1bn
- ▶ France - €1.3bn
- ▶ Netherlands - €0.4bn
- ▶ United States - €0.2bn
- ▶ Norway - €0.2bn
- ▶ Sweden - €0.2bn
- ▶ Portugal - €0.2bn
- ▶ Italy - €0.2bn
- ▶ Other - €0.7bn (all less than €0.1bn)

	Transitional ratio	Fully loaded ratio (excl Prefs)
	(€bn)	(€bn)
<b>Total equity (excl additional Tier 1 capital)</b>	<b>9.5</b>	<b>9.5</b>
Less 2009 Preference Shares	-	(1.3)
Deferred Tax <sup>2</sup>	(0.1)	(1.4)
Pension Deficit	0.4	-
Available for sale reserve	(0.4)	-
Removal of National Filters	(0.2)	-
Other Items <sup>3</sup>	(0.9)	(1.0)
<b>Common Equity Tier 1 Capital</b>	<b>8.3</b>	<b>5.8</b>
<b>RWAs</b>	<b>52.6</b>	<b>52.5</b>
<b>Common Equity Tier 1 Capital</b>	<b>15.9%</b>	<b>11.1%</b>

### Basel III phasing impacts

- ▶ Deferred Tax Asset - deduction is phased in at 10% per annum commencing 1 Jan 15
- ▶ Pension deficit - addback is phased out at 20% per annum commencing 1 Jan 14
- ▶ Available for sale reserve - between 2015-2018, unrealised losses and gains will be phased in at the following rates: 40%, 60%, 80%, 100%. The Group has opted to maintain its filter on both gains and losses on exposures to central governments classified in the "Available for Sale" category. The reserve is recognisable in capital under fully loaded CRD IV rules

<sup>1</sup>Capital ratios have been presented including the benefit of the retained profit for the period.

<sup>2</sup>RWA impact for deferred tax assets includes a 0% risk weighting for deferred tax assets on losses carried forward, partially offset by 250% risk weighting applied to deferred tax assets due to temporary differences.

<sup>3</sup>Other CET1 items primarily reflect intangibles and cash flow hedge reserve.

# BOI Credit Ratings

Return to Investment Grade by S&P and Moody's

Standard & Poor's	
Anchor	bbb-
Business Position	(Strong) +1
Capital & Earnings	(Moderate) -1
Risk Position	(Adequate) 0
Funding & Liquidity	(Average & Adequate) 0
Stand Alone Credit Profile (SACP)	bbb-
Sovereign Support	+1
Additional Factors	-1
<b>Issuer Credit Rating</b>	BBB- (Positive)

Moody's	
Baseline Credit Assessment (BCA)	ba2
Adjusted BCA	ba2
Government support	+1
Loss Given Failure (LGF)	+2
<b>Issuer Rating (deposit/Senior unsecured rating)</b>	Baa2 (Stable)

Fitch	
Individual Rating/Viability Rating (VR)	BB+
Support Rating Floor	No Floor
<b>Issuer Default Rating (IDR) Higher of the Viability Rating and Support Rating Floor</b>	BB+(Positive)

## Progress on BOI Credit Ratings

### ► Standard & Poor's

- **July 2015:** 1 notch upgrade from BB+ to BBB- (Positive outlook)

### ► Moody's

- **May 2015:** 2 notch senior unsecured upgrade from Ba1 to Baa2 (Stable outlook)

### ► Fitch

- **May 2015:** 2 notch upgrade to Viability Rating to bb+ offset by the removal of 4 notches of Sovereign Support

## Key Rating Drivers

### ► Standard & Poor's ratings upside could develop from:

- Improvement in the Group's Risk Adjusted Capital (RAC) ratio
- Additional loss-absorbing capacity (ALAC) uplift

### ► Moody's ratings upside could develop from continued:

- Improvements in profitability and efficiency
- Improvements in fully loaded capital and leverage metrics

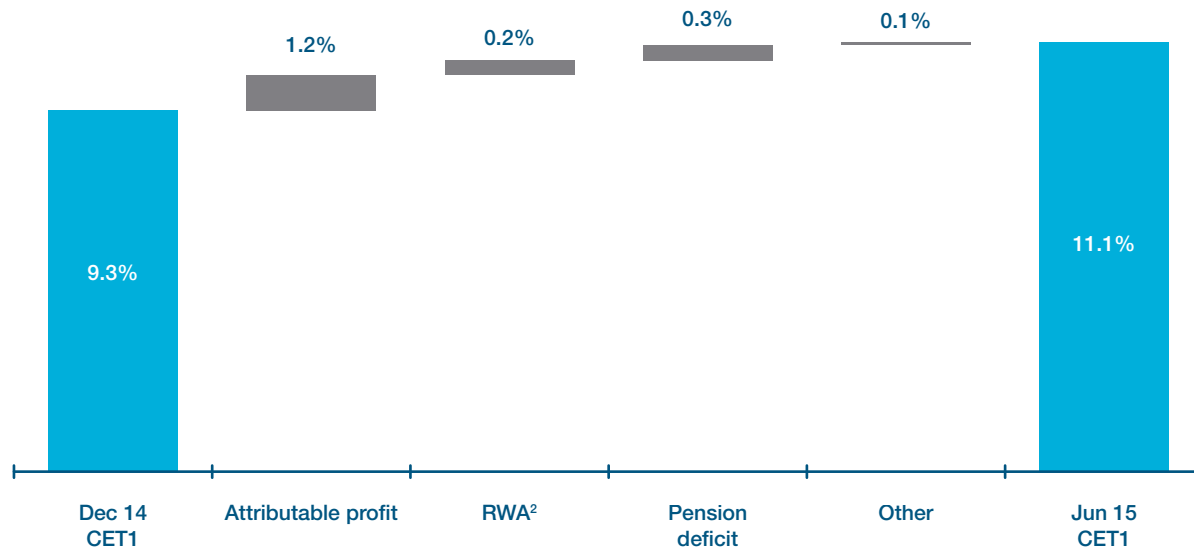
### ► Fitch ratings upside could develop from continued:

- Reduction in non-performing loans
- Strong internal capital generation

## Fully loaded CET1 ratio (excl Prefs) capital build<sup>1</sup>

Increased CET1 fully loaded ratio by 180bps to 11.1%

Bank of Ireland Group 

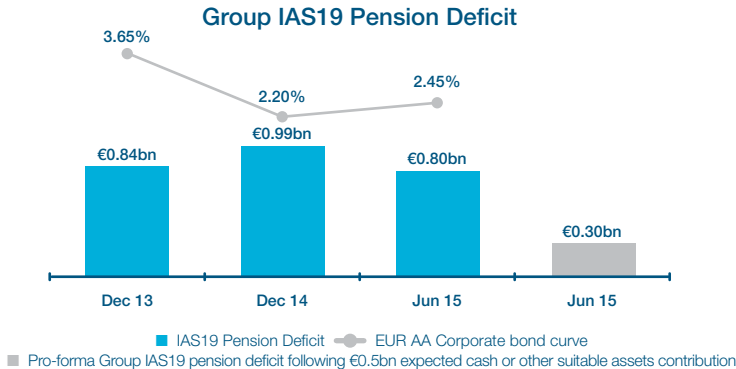


<sup>1</sup>Capital ratios have been presented including the benefit of the retained profit for the period.

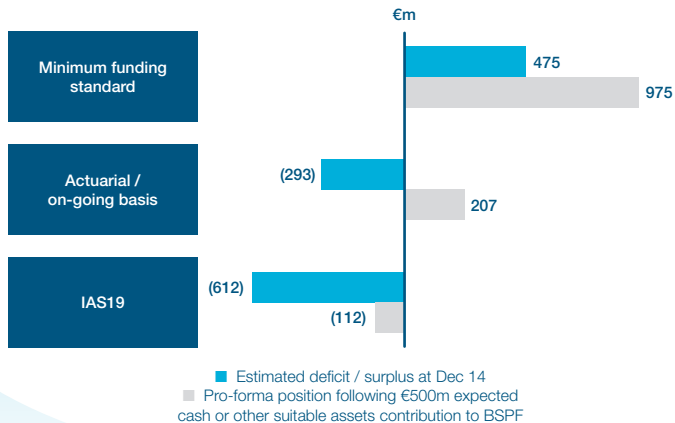
<sup>2</sup>RWA movement is calculated on a constant currency basis.



# Defined Benefit Pension Schemes



## BSPF<sup>1</sup> estimated Surplus / Deficit under Relevant Bases Dec 14



- ▶ Group IAS19 pension deficit of €0.8bn at Jun 15 (€0.99bn at Dec 14)
- ▶ Primary drivers of the reduction in deficit were;
  - ▶ Group pension scheme assets returns were c.4% during the period
  - ▶ Euro AA Corporate Bond discount rate<sup>2</sup> increased from 2.20% to 2.45%, partially offset by;
  - ▶ Long term ROI inflation rate expectation increased from 1.5% to 1.8%
- ▶ IAS19 requires that rate used to discount DB pension liabilities be selected by reference to market yields on high quality corporate bonds with a corresponding duration. However, only a small number of such AA corporate bonds at the c.20 years duration, and those bonds tend to be relatively illiquid
- ▶ Announcement of the QE policy in Q1 2015 appeared to cause significant volatility in the bond market. This resulted in long duration AA corporate bond discount rates reaching an historic low of 1.4% at end Mar 15 with a resulting increase in deficit to €1.7bn. This impact on the deficit has now been reversed
- ▶ The Pension Review programmes of 2010 and 2013 resulted in significant restructurings of scheme benefits, which were accepted by staff and unions through individual member consent
  - ▶ In return for the deficit reduction achieved through these programmes, the Group agreed to increase its support for the schemes by making matching contributions. The remaining deficit-reducing contributions of €550m are expected to be made between 2016 and 2020
  - ▶ Allowing for these future contributions, the overall Group IAS 19 deficit would have been c.€0.30bn at June 15
- ▶ In addition to the IAS19 accounting valuation, the funding position of the main BSPF scheme is also measured under the Minimum Funding Standard basis and the Actuarial / on-going basis. Both of these measures showed a stronger funding position than IAS19 at Dec 14. This situation is not expected to be materially different at June 15

<sup>1</sup>BSPF represents approx. 75% of the overall Group DB liabilities.

<sup>2</sup>Sensitivity of the IAS19 liability to a 25bps movement in the discount rate is c.€0.4bn and sensitivity to 10bps movement in the RPI inflation assumption is c.€0.1bn.

# Defined Benefit Pension Schemes

- ▶ Group has developed a framework for pension funding and investment decision-making as part of a long-term plan.
- ▶ Management of Group's DB pension position involves a multi-year programme, categorised into 3 broad areas. Activity in these areas includes;

## 1 Review Liabilities

- ▶ Pensions Review 2010 and 2013 - shared solutions with members - successfully executed
- ▶ Pension Review programme was further extended to smaller schemes in 2014 and 2015
- ▶ A Defined Contribution ('DC') scheme was introduced in 2014 for new hires and existing hybrid scheme closed
- ▶ Further exercises to reduce volatility in liabilities have been undertaken e.g. successful enhanced transfer value pilot exercise in H1 2015

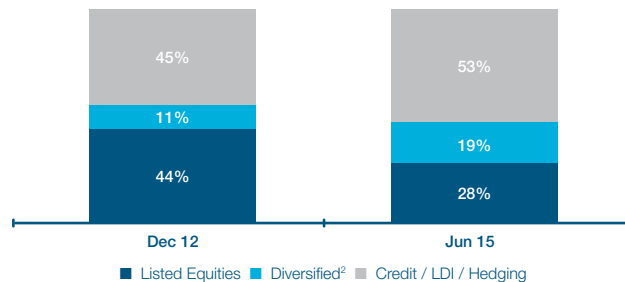
## 2 Increase Assets

- ▶ >€600m of deficit-reducing contributions made since 2010; further €550m expected to be made across Group schemes between 2016 and 2020
- ▶ Timing of contributions takes account of Basel III transitional capital rules
- ▶ BSPF asset returns of c.11.5% p.a. were achieved over 3 years to end 2014, with further c. 4% in H1 2015

## 3 Improve correlation between assets and liabilities

- ▶ Group has supported Trustees in diversifying asset portfolios away from listed equity into other return-seeking but less volatile asset classes e.g. 20% of return seeking assets were switched to matching assets in 2014
- ▶ Continuing programme to better match asset allocation with the nature and duration of liabilities (ref chart below)
- ▶ Since the end of Jun 15, a further €350m of liability hedging has been executed through the LDI portfolio and €270m of investment in Secure Income Assets is in train

### Mix of BSPF DB Pension Scheme Assets (%)<sup>1</sup>



<sup>1</sup>Graphs shows BSPF asset allocation which is representative of the Group schemes overall.

<sup>2</sup>Diversified category includes Infrastructure, Private Equity, Hedge funds, Property.

## Ordinary stockholders' equity and TNAV

### Movement in ordinary stockholders' equity

	2014 (€m)	2015 (€m)
<b>Ordinary stockholders' equity at beginning of period</b>	<b>6,528</b>	<b>7,392</b>
<b>Movements:</b>		
Profit attributable to stockholders	786	617
Dividends on preference stock	(141)	(137)
Foreign exchange movements	275	334
Cash flow hedge reserve movement	159	(79)
Available for sale (AFS) reserve movements	133	(122)
Remeasurement of the net defined benefit pension liability	(353)	172
Other movements	5	(3)
<b>Ordinary Stockholders' equity at end of period</b>	<b>7,392</b>	<b>8,174</b>

### Tangible net asset value

	Dec 14 (€m)	Jun 15 (€m)
<b>Ordinary stockholders' equity at end of period</b>	<b>7,392</b>	<b>8,174</b>
<b>Adjustments:</b>		
Intangible assets and goodwill	(405)	(429)
Own stock held for benefit of life assurance policyholders	12	11
<b>Tangible net asset value (TNAV)</b>	<b>6,999</b>	<b>7,756</b>
Number of ordinary shares in issue at the end of the period	<b>32,363</b>	<b>32,363</b>
<b>TNAV per share (€ cent)</b>	<b>21.6c</b>	<b>24.0c</b>

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[www.bankofireland.com/investor](http://www.bankofireland.com/investor)

# Forward-Looking statement

This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934 and Section 27A of the US Securities Act of 1933 with respect to certain of the Bank of Ireland Group's (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,' 'can,' 'might,' 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 charge, 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.

Such risks and uncertainties include, but are not limited to, the following:

- ▶ geopolitical risks which could potentially adversely impact the markets in which the Group operates;
- ▶ concerns on sovereign debt and financial uncertainties in the EU and in member countries such as Greece and the potential effects of those uncertainties on the Group;
- ▶ general and sector specific economic conditions in Ireland, the United Kingdom and the other markets in which the Group operates;
- ▶ the ability of the Group to generate additional liquidity and capital as required;
- ▶ property market conditions in Ireland and the United Kingdom;
- ▶ the potential exposure of the Group to credit risk and to various types of market risks, such as interest rate risk and foreign exchange rate risk;
- ▶ the impact on lending and other activity arising from the emerging macro prudential policies;
- ▶ the performance and volatility of international capital markets;
- ▶ the effects of the Irish Government's stockholding in the Group (through the Ireland Strategic Investment Fund) and possible changes in the level of such stockholding;
- ▶ changes in applicable laws, regulations and taxes in jurisdictions in which the Group operates particularly banking regulation by the Irish and United Kingdom Governments together with the operation of the Single Supervisory Mechanism and the establishment of the Single Resolution Mechanism;
- ▶ the impact of the continuing implementation of significant regulatory developments such as Basel III, Capital Requirements Directive (CRD) IV, Solvency II and the Recovery and Resolution Directive;
- ▶ the exercise by regulators of powers of regulation and oversight in Ireland and the United Kingdom;
- ▶ the introduction of new government policies or the amendment of existing policies in Ireland or the United Kingdom;
- ▶ the outcome of any legal claims brought against the Group by third parties or legal or regulatory proceedings or any Irish banking inquiry more generally, that may have implications for the Group;
- ▶ the development and implementation of the Group's strategy, including the Group's ability to achieve net interest margin increases and cost reductions;
- ▶ the inherent risk within the Group's life assurance business involving claims, as well as market conditions generally;
- ▶ potential further contributions to the Group sponsored pension schemes if the value of pension fund assets is not sufficient to cover potential obligations;
- ▶ the Group's ability to address weaknesses or failures in its internal processes and procedures including information technology issues and equipment failures and other operational risks;
- ▶ the Group's ability to meet customers' expectations in mobile, social, analytics and cloud technologies which have enabled a new breed of 'digital first' propositions, business models and competitors;
- ▶ uncertainty relating to the forthcoming UK European Union 'In / Out' referendum;
- ▶ failure to establish availability of future taxable profits, or a legislative change in quantum of deferred tax assets currently recognised; and
- ▶ difficulties in recruiting and retaining appropriate numbers and calibre of staff.

Nothing in this document should be considered to be a forecast of future profitability or financial position and none of the information in this document is or is intended to be a profit 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. The reader should however, consult any additional disclosures that the Group has made or may make in documents filed or submitted or may file or submit to the US Securities and Exchange Commission.





