

# Bank of Ireland UK Financial Services

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# Agenda

- **Bank of Ireland Group**
- **Bank of Ireland in the UK**
- **UK Strategy**
- **Business Profiles**
- **Questions & Answers**

# Bank of Ireland Group

- A diversified Financial Services Group
- Largest Irish Bank by Total Assets: €126bn (March 2005)
- Highest Rated listed Irish Financial Institution

Moody's      Aa3      (since 1998)

S&P          A+      (since 1998)

Fitch         AA-     (since 1995)

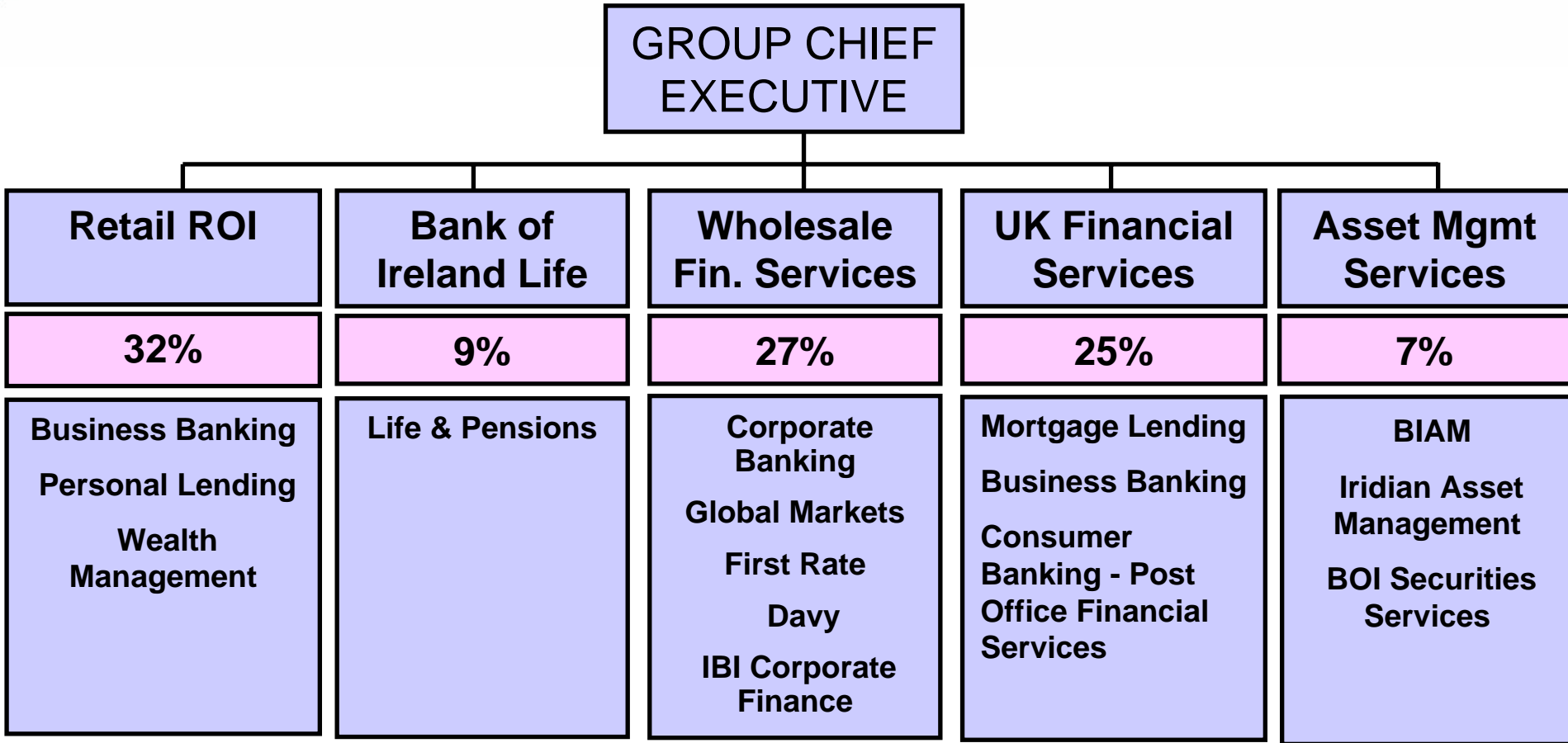
- Market Capitalisation of €1.3bn (March 2005)
- Asset Quality – low risk profile
- Number 1 or 2 in chosen domestic markets
- Focused niche player in the UK and International Markets



# Bank of Ireland Group Strategy

- **Maximise returns from our leading position in Ireland**
- **Substantially grow our business in UK to contribute a greater proportion of profits**
- **Build on our portfolio of niche, skill-based businesses Internationally**

# Bank of Ireland Group Structure



**% profit from each Division March 2005**

# Bank of Ireland in the UK

- **UKFS Division makes a significant contribution of 25% to Group profits and has circa 46% of the Group's loan assets**
- **We have a successful specialist approach in the UK, where our skills allow us to achieve above market growth against strong and dominant competitors**
- **We are building a reputation for successful market penetration, product innovation and profit growth**
- **We have a good business culture with an able and committed senior management team**

# UKFS Division Strategy

**We have a growth strategy in the UK which is focused on three key business segments:**

- **Personal Lending UK (Mortgage business)**
  - Well diversified mortgage portfolio delivering growth
  - Maintaining excellent risk and cost management
- **Business Banking UK**
  - Significant growth opportunity
  - Consolidation of Bank of Ireland Northern Ireland and Great Britain
- **Consumer Banking**
  - The Post Office Joint Venture offers significant growth opportunities for UKFS and material additional profit opportunity to the Group

# Personal Lending

# Personal Lending UK

- **Personal Lending UK is a manufacturer of mortgages and unsecured loans for distribution throughout the UK, primarily via intermediaries**
- **It is a specialist lender, manufacturing a range of products, not simply commoditised loans**
- **It distributes mortgages through the Bristol & West and Bank of Ireland brands**
- **Mortgage completions £5.3bn to 31 March 2005**
- **All sectors have excellent credit quality, as evidenced by lower than industry average arrears figures**
- **Strong risk and cost management skills in the business**

# Personal Lending UK – Position as at March 2005

## Mortgage Market Facts

- £882bn total book
- Gross lending for 2004 £290bn
- Net lending for 2004 £100bn
- Average industry arrears over three months are 0.80%

## Personal Lending UK

- £17.6bn mortgage book
- Gross lending 2004/05 £5.3bn
- Net lending 2004/05 £1.8bn
- Arrears (over three months) below industry level at 0.64%
- 2% book market share
- Aim to double market share in net lending

## Secured Book Shape

- 61% standard
- 39% non-standard

## Distribution

- 90% Intermediary
- 10% Direct

# Personal Lending UK

## Growth is predicated on:

- **Volume growth, which is planned to achieve 3.5% net lending market share by 2007/08**
- **Continued growth of wide margin specialised segments of the book**
- **Developing markets such as Islamic and Equity Release**
- **Continued stabilisation of margins, with completion of the back book re-pricing**
- **Tight cost control**

# Business Banking UK

# Business Banking UK

## **Business Banking UK (BBUK) has three distinct business units:**

- Business and Corporate Banking, segmented into three geographical areas - North, Midlands and London & South
- Business and Retail Banking Great Britain – 21 branches
- Business and Retail Banking Northern Ireland – 44 branches

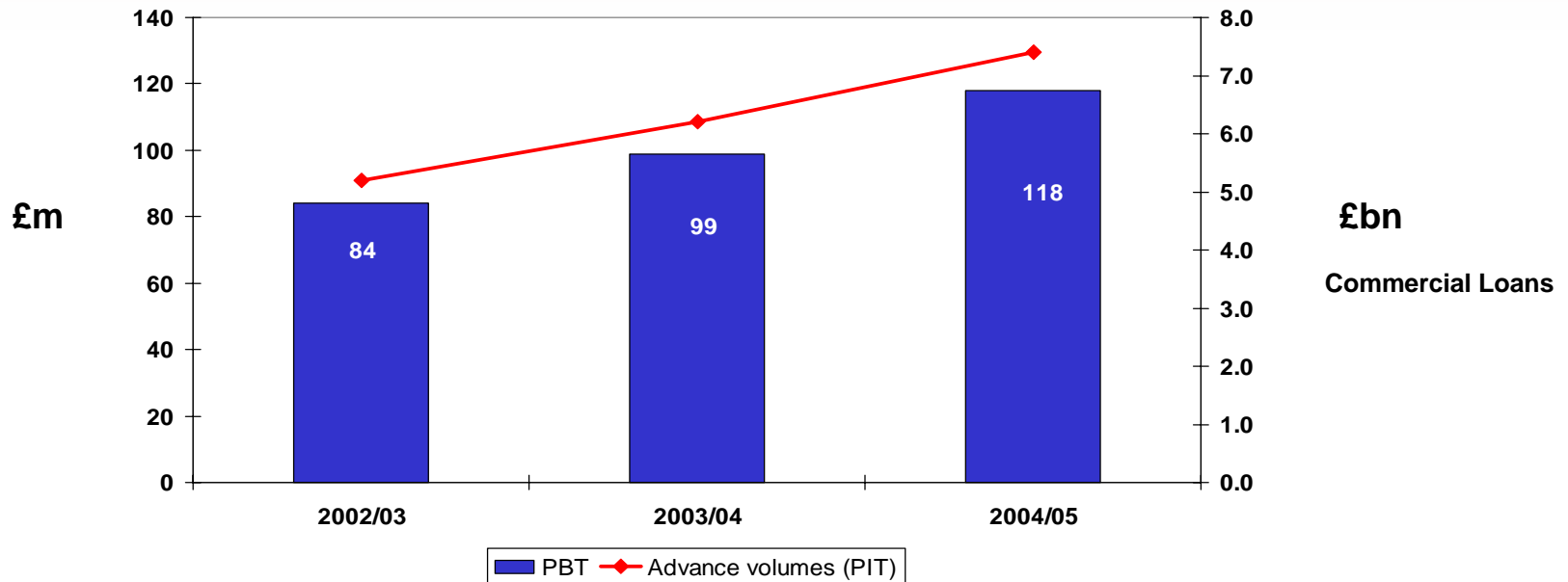
## **Overall Objective**

- To achieve step change growth in Business Banking GB through:
  - Transferring the proven Northern Ireland customer proposition to GB
  - Material recruitment of relationship managers in GB

## **Specific Objectives**

- Double BBUK property market share across GB from 2%
- Establish and build non-property activities
- Maintain No.1 market position in Mid-Corporates/Property in Northern Ireland
- Double BBUK profits over 5 years
- Balance growth with quality and meet compliance and reputation risk requirements

# Business Banking UK – Position as at 31 March 2005



- Continued strong growth in BBUK driven by volumes - loans up 19% and resources up 8% year on year
- Exceeded all 2004/05 targets and delivered underlying PBT growth of 11%
- 2004/05 profits include one-off £10m loan loss credit
- Business reorganised and streamlined for growth
- Mutually successful partnership with Global Markets – increased income streams
- Recruited 49 Relationship Managers from competitors

# Business Banking UK – Strategic Priorities

## Business & Corporate Banking (GB & NI) priorities:

- Continue to focus on SME/Mid-Corporates, operating, in GB, out of “Top Ten” commercial hubs
- Continue to grow commercial property market share from 2%
- Build non-property mid-corporate/SME business of scale
- Further recruitment of highly skilled and proven Relationship Managers in GB

## Growth predicated on:

### Quality People:

- ‘Principal’ to ‘Principal’ concept
- Added value relationship management

### Quality Process:

- Fast effective delivery through aligned credit decision making process
- One stop package of full range products with tailored options

# Business Banking UK – Strategic Priorities

## Business & Retail Banking (NI) priorities:

- Continue to grow market share in consumer segment from 10%
- Continue to grow market share in professional/small business segment from 14%

## Growth predicated on:

- Exploit Business & Corporate Banking customer base with focused affinity packages and worksite marketing initiatives
- Leverage Business & Corporate Banking reputation in professional/small business segment  
Niche focus on first time buyer segments (schools/universities)

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## Business & Retail Banking (GB) priorities:

- Drive achievement of a cost effective and focused multi channel resource (deposit) gatherer with an annual income growth of at least 10%

## Growth predicated on:

- Focus on professional and 'client paid' segment
- Reconfigure the network to re-align to BBUK strategy
- Improve sales effectiveness of front line sales staff

# Consumer Banking

# Consumer Banking - Post Office Financial Services

**“To provide simple, value-for-money products delivered through a convenient personalised service.”**

## ❑ Post Office

- Largest retail network in Europe – almost 15,500 branches
- 97% of the UK adult population visit the Post Office every year – 44 million
- 29 million customers visit every week
- 44% of regular customers are ABC1
- New, younger customer base being attracted by top-ups and ATMs

## ❑ Bank of Ireland

- Gets low cost access to large customer base
- Brings product, sales, operational skills and banking licence
- Can utilise wide range of existing infrastructure to better effect

# UK Post Office Financial Services

Sales Transformation Programme is the key challenge

## Product Schedule

Six products launched – at least six more to come including credit cards, instant access savings, mortgages and term life protection

## Branch Segmentation

Branches divided into three divisions: Diamond (3,000 branches); Platinum(5,000 branches) and Gold (7,500 branches).

## Sales Management Model

- General Managers – Sales appointed for each division
- Team of 27 Financial Services coaches appointed to implement sales model
- Product champions, incentive schemes and performance management being implemented to support sales transformation
- Initial programme for 550 Directly Managed Branches will take the rest of 05/06 to implement

## Sales Progress

- Strong performance on insurance and savings products; cautious on personal loans due to interest rate rises
- 100,000 customers by May 2005 – target is 400,000 by March 2006

# Bank of Ireland UKFS Division - Summary

- **The UK is a critical growth play for the Group and is our natural second home market**
- **The UKFS Division is a major contributor to Bank of Ireland Group profits, and we have a strategy in place to grow that contribution significantly**
- **Personal Lending UK is a very good business, with proven capabilities. Margins have been stabilised, there has been new business growth, and the quality of the book has been maintained**
- **Business Banking UK is a very good business with strong growth opportunities, which is already delivering on its ambitions as evidenced by new business growth**
- **Post Office Financial Services offers significant growth opportunities for UKFS and scale advantages for the Group as well as material additional profit contribution**
- **We have responded to changing customer needs and behaviours and have successfully divested Chase de Vere and will transfer Bristol & West branch network to Britannia Building Society**
- **We have invested in new technology to deliver increased productivity and efficiency and have delivered a good performance on cost management**