Bank of Ireland Group plc (the "Group")
Publishes Interim Results for the 6 months to 30th June 2022

3 August 2022

Comment: Patrick Kennedy, Bank of Ireland Group Chairman:

"On 26 April 2022, the Group announced that Francesca McDonagh will step down from the role of Group Chief Executive Officer and Executive Director in September 2022. The Board is well advanced on the process to appoint a full-time successor. Given timing considerations, the Board also expects to appoint an interim CEO and an announcement will be made in due course. The focus of the Board remains on the execution and delivery of the significant commercial opportunities available to the Group."

Comment: Francesca McDonagh, Bank of Ireland Group CEO:

"We delivered a strong business performance in the first half of 2022, while continuing to make clear progress on our National Champion Bank strategy. This includes reaching key milestones on our two transformative acquisitions, and material momentum in attracting new customers as the Irish banking landscape fundamentally restructures. Notwithstanding global uncertainty, the step change we've delivered in our business model makes Bank of Ireland well positioned to capitalise on the significant opportunities we face, further supported by a rising interest rate environment."

Key highlights:

- €419 million underlying profit before tax; strong business performance in H1 2022
- Strong capital position; fully loaded CET1 ratio 15.5% post Davy completion, supported by organic capital generation
- Adjusted RoTE of 8.1%; on track to deliver sustainable RoTE in excess of 10% in the near term
- Total income modestly higher vs H1 2021 (ex additional gains, valuation items and acquisitions)
- Net interest income modestly higher, excluding TLTRO impacts; positively geared to higher interest rates
- Business income (including share of associates and JVs and excluding Davy) +16% vs H1 2021; reflecting improving momentum and recovery from COVID-19 impacts in 2021
- Net lending of €1.0bn in Corporate and Retail Ireland; UK deleveraging of €2.0bn in line with strategy
- Operating costs 1% higher reflecting acquisitions and one-off investment to capture opportunities from exiting banks; on a like for like basis costs 1% lower vs H1 2021
- Net credit impairment charge of €47m; NPE ratio 5.4%
- Strategy further enhanced through two transformative acquisitions; Davy acquisition complete and materially increases Bank of Ireland's share of attractive Irish wealth market. Competition approval received for KBC Bank Ireland portfolio acquisition
- Business model positioned to attract customers from exiting banks; once in a generation opportunity with a positive start in H1 2022; 110k new current accounts opened, >100% YOY; 235k new product openings in total.

Income

Net interest income in H1 2022 is modestly higher than H1 2021 excluding TLTRO impacts. Lower funding costs due to improved UK deposit margins and expansion of negative interest rates on deposits, offset by higher wholesale funding costs. We expect to maintain TLTRO participation to maturity in March 2024, subject to no change in terms and conditions. The Group continues to maintain strong commercial pricing discipline with loan asset spread 13bps higher in H1 2022 vs H1 2021.

Business income (including share of associates and JVs, and excluding Davy) has increased 16% vs H1 2021 reflecting improving momentum and supported by strong growth in Wealth and Insurance, Retail Ireland and share of associates and JVs.

Additional gains, valuation and other items provided a negative contribution of €3 million in H1 2022 vs a positive contribution of €36 million in H1 2021.

Costs

The Group continues to maintain rigorous cost discipline, notwithstanding inflationary headwinds. Operating expenses (excluding levies and regulatory charges) are 1% higher in H1 2022 vs H1 2021, and 1% lower when excluding Davy and one-off investment costs to capture opportunities from exiting banks in Ireland.

Balance Sheet

Customer loan volumes were €74.6 billion at the end of June 2022, €1.7 billion lower vs December 2021. On a constant currency basis and excluding planned UK deleveraging of €2 billion and the successful NPE transaction of €0.1 billion, the loan book grew by €1 billion in H1 2022.

New lending increased 7% in H1 2022 vs H1 2021. Retail Ireland increased 25% with strong growth across mortgage, business banking and consumer portfolios. Corporate and Markets increased 12% with growth diversified across portfolios. Retail UK decreased 19% primarily driven by reduction in mortgages, reflecting pricing discipline and strategic focus on value over volume.

The Group's liquid assets of €51.6 billion increased by €1.9 billion since December 2021 primarily reflecting an increase in customer deposits.

Customer deposits of €94.1 billion (excluding fair value hedge adjustment) increased €1.3 billion since December 2021 driven by growth in Retail Ireland and partly offset by lower Retail UK deposits. Wholesale funding of €21.3 billion decreased €0.1 billion since December 2021.

Asset Quality

A net credit impairment charge of €47 million was incurred in H1 2022 compared to a charge of €1 million in H1 2021. This charge reflects the impact on IFRS 9 models of Forward Looking Information from the Group's latest macro-economic outlook, movement in management adjustments, and actual loan loss experience and portfolio activity in the period.

Our NPEs decreased by €0.1 billion to €4.2 billion, equating to an NPE ratio reduction of 10 basis points to 5.4% of gross customer loans. This decrease reflects the €0.1 billion NPE transaction completed in H1 2022 and continued work with customers to agree sustainable solutions, partially offset by new flows into default.

Financial benefits of acquisitions

On a pro-forma basis, assuming Davy was part of the Group from 1 January 2022, underlying profit of €12 million would have arisen in H1 2022 reflecting income of c.€86 million and costs of c.€74 million. A similar performance for Davy is expected in H2 2022.

On the KBC acquisition, the financial effects remain in line with previous guidance. Annualised 2023 net interest income benefit of c.€160m, incremental operating expenses of c.€25m are expected, with the contribution to earnings reducing over time as the portfolios redeem. Capital investment of c.120bps is expected on completion, reflecting RWA impacts and day 1 expected credit loss. The Group's June 2022 pro forma NPE ratio would reduce by c.0.3% to 5.1%. Subject to regulatory clearances, the KBC portfolio acquisition is expected to complete by end Q1 2023.

Capital Position

The Group's strong business model generated organic capital of 60bps in H1 2022. The Group's fully loaded capital ratio was 15.5% at end-June 2022 and the regulatory CET1 capital ratio was 16.0%. The Group's capital ratios performance in H1 2022 benefitted from organic capital generation and other movements, more than offset by risk-weighted asset movements, the completion of the Davy acquisition and the accrual of a foreseeable 2022 capital distribution at c.50% of full year 2021 levels. The Group's target CET1 capital ratio has been increased to >13.5% and this accommodates increased countercyclical buffers.

Updated guidance for improved 2022 outlook

On total income (excluding acquisitions), we expect modestly higher net interest income and higher business income vs 2021, and unchanged additional gains and valuation items vs H1 2022. 2022 costs are expected to be lower than 2021 after absorbing inflation, excluding acquisitions and one-off investment relating to onboarding customers from exiting banks. One-off investment of c.€30m expected to capture opportunities from exiting banks. Levies and regulatory charges are expected to be c.€140m in 2022. Davy H2 2022 performance is expected to be similar to H1 2022.

On asset quality, impairment charge is expected to be lower than 20bps, subject to no material change in economic conditions or outlook. NPEs are expected to continue to reduce through a combination of organic and inorganic activity.

On capital, strong organic capital generation expected in 2022 and the capital outlook supports continued growth and investment. CET1 target of >13.5% accommodates increased countercyclical buffers and distributions are expected to increase on a prudent and progressive basis.

Ends

http://www.rns-pdf.londonstockexchange.com/rns/7405U_1-2022-8-3.pdf

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Forward Looking Statement

This announcement contains forward-looking statements with respect to certain of the Bank of Ireland Group plc (the 'Company' or 'BOIG plc') and its subsidiaries' (collectively the 'Group' or 'BOIG plc Group') plans and its current goals and expectations relating to its future financial condition and performance, the markets in which it operates and its future capital requirements. These forward-looking statements often can be identified by the fact that they do not relate only to historical or current facts. Generally, but not always, words such as 'may,' 'could,' 'should,' 'will,' 'expect,' 'intend,' 'estimate,' 'anticipate,' 'assume,' 'believe,' 'plan,' 'seek,' 'continue,' 'target,' 'goal,' 'would,' or their negative variations or similar expressions identify forward-looking statements, but their absence does not mean that a statement is not forward-looking.

Examples of forward-looking statements include, among others: statements regarding the Group's near term and longer term future capital requirements and ratios, level of ownership by the Irish Government, LDRs, expected impairment charges, 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, UK, European and other regulators, plans and objectives for future operations, and the impact of the COVID-19 pandemic particularly on certain of the above issues and generally on the global and domestic economies. 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, those as set out in the Risk Management Report in the Group's Annual Report for the year ended 31 December 2021. Investors should also read 'Principal Risks and Uncertainties' in the Group's Annual Report for the year ended 31 December 2021 beginning on p 138.

Nothing in this announcement should be considered to be a forecast of future profitability, dividend forecast or financial position of the Group and none of the information in this announcement 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.