

Bank of Ireland Group plc (together with its subsidiaries the “Group” or “BOI”)

Acquisition by Bank of Ireland of KBC Bank Ireland plc’s (“KBCI”) performing loan portfolios and deposits

22 October 2021

Further to the Memorandum of Understanding (“MOU”) announced on 16 April 2021, and following completion of a due diligence process, the Group has today entered into a binding agreement with KBCI and KBC Group for the acquisition of c.€8.8¹ billion of performing mortgages, c.€0.1 billion of performing commercial and consumer loans and c.€4.4 billion of deposits. The Group will acquire the performing mortgages for 103.6% of par value, representing the fair value of the assets and demonstrating the quality of the portfolio. The exact size of the portfolio and consideration payable will vary between now and completion based on normal business flows, but is not expected to be materially different at the time of completion. In addition, a small portfolio of non-performing mortgages (NPEs) of c.€0.3 billion, will also be acquired as part of the transaction, at a discount to par. Total consideration of c.€5.0 billion across all portfolios (net of deposits) will be paid, which will be funded through excess cash.

The acquisition is supportive of the Group’s financial objectives. Based on current portfolio size, the Group expects incremental net interest income of c.€160 million in 2023², which will reduce over time as the portfolios redeem. The acquisition is facilitated by the investment in the Group’s infrastructure over recent years and is expected to reduce the Group’s cost income ratio and be earnings accretive, adding c.1.1% to Group RoTE in the first full year of ownership. On the date of completion, the CET1 capital ratio impact³ is expected to be c.120 basis points financed through existing resources. The transaction is also expected to reduce the Group’s June 2021 pro-forma non-performing exposure ratio by c.0.4%.

Group CEO of Bank of Ireland, Francesca McDonagh, commented: “We are delighted to have reached agreement with KBC on this important transaction. This acquisition is a positive development for our business and consistent with our growth strategy. We look forward to supporting our new customers on their important financial decisions over the years ahead.”

KBC Group CEO, Johan Thijs, said: “Today’s agreement with Bank of Ireland Group regarding the sale to Bank of Ireland Group of substantially all of the performing loan assets and deposits of KBC Bank Ireland and a small portfolio of non-performing mortgages represents an important step in KBC Group’s withdrawal from the Irish market. The transaction remains subject to regulatory approvals. Yet, I’m confident that together with Bank of Ireland Group our customers will be provided with a good home, whilst continuing to enjoy the same legal and regulatory protections. We remain committed to managing this process responsibly over the coming period.”

KBC Bank Ireland CEO, Ales Blazek added: “I would like to reassure our customers that they do not need to take any immediate action at this point as a result of this announcement. KBC Bank Ireland remains committed to servicing customers of its retail banking and insurance products through its digital channels and hubs. We will communicate to our customers well in advance of any actual steps that may be taken with respect to their products or if our customers need to take any action at any point.”

Completion of the acquisition is conditional on the satisfaction of customary conditions including approval by the Competition and Consumer Protection Commission. Bank of Ireland was advised by Credit Suisse International and IBI Corporate Finance, with Citigroup Global Markets providing further support. This announcement contains inside information.

¹ As at 31 March 2021

² Income from the KBCI Assets being acquired is estimated at c.€240 million or c.85% of the €282m reported FY2020 KBCI net interest income. The asset and income profile will vary over time based on normal portfolio flows

³ Including a day 1 Impairment Loss Allowance which the Group expects will be booked on the Income Statement upon completion of the transaction as required under IFRS9

Ends

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Forward Looking Statement

This announcement 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.

Nothing in this announcement should be considered to be a forecast of future profitability, dividends 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.