Bank of Ireland Group plc (the "Group")
2023 Annual Results

26 February 2024

Comment: Myles O'Grady, Bank of Ireland Group CEO:

"In 2023, the group performed well with strong financial results, tangible strategic progress and improved customer and employee outcomes. This represents an excellent start to our three year strategic cycle, underpinned by our differentiated business model, the attractive markets in which we operate, especially Ireland, where the loan book grew by 23% and Wealth assets by 18%, and guided by our purpose to help customers, colleagues, shareholders and society to thrive.

We look to the future with continued confidence. While we are mindful of the risks presented by the external environment, the overall outlook for our core markets, and Ireland in particular, remains positive. The combination of this positive outlook, the attractions of the markets in which we operate, our differentiated business model and our strategic clarity and focus supports this confidence in our prospects. We remain on track to deliver the financial and non-financial targets set over our FY23-25 strategic cycle."

Key highlights:

- €1.9 billion profit before tax; total income +42% year on year reflecting higher interest rates, strategic actions and acquisitions, and positive business momentum from commercial delivery
- Total distribution of €1.15 billion, up from €350 million in 2022; €634 million proposed ordinary dividend (40% payout, equivalent to dividend per share of 60 cents) and €520 million additional distribution via approved share buyback; total distribution equivalent to 72% of earnings and 13% of market capitalisation
- 2024 distributions to comprise a mix of ordinary dividends and share buybacks, with interim distributions to commence
- Strong capital position; fully loaded CET1 ratio 14.3%, in-line with >14% guidance
- Significantly higher capital generation; 340 basis points net organic capital generation in 2023 vs 135 basis points in 2022
- Adjusted RoTE of 17.3%
- Cost to income ratio of 42%
- Net interest income +48% and business income (including share of associates and JVs) +10%
- Operating expenses in line with c.€1.85 billion guidance
- Strong strategic delivery: AUM +18% to €46 billion; +23% in Irish customer loans; completion and successful migration of the KBCI portfolios in February 2023
- New mortgage lending of €4.9 billion in Ireland, +25% vs 2022, while maintaining our commercial focus and underwriting standards
- Net credit impairment charge of €403 million, reflecting slightly higher loan loss experience and additional pro-active management adjustments of €138 million
- Improved asset quality; NPE ratio reduced 50 basis points year on year to 3.1%

Income

Net interest income growth in 2023 reflects higher interest rates, growing deposit franchise, acquisitions, and higher wholesale and deposit funding costs. Business income (including share of associates and JVs) has increased 10%, primarily reflecting growth in Wealth and Insurance and the full year benefit of the Davy acquisition.

Costs

The Group continues to maintain tight control over its cost base. Reported costs were 11% higher in 2023, primarily reflecting impacts of both acquisitions, lifting of variable pay restrictions and additional investment to drive future efficiencies. Non-core costs of €85 million (2022; €142 million).

Balance Sheet

The Group's loan book increased by €7.7 billion during 2023, including a 23% increase in the Irish loan book. This increase includes the €8 billion of loans acquired from KBCI in February 2023. On a constant currency basis, excluding the KBCI acquisition, a €2 billion increase in net lending in Irish non-property loan books has been offset by a €0.1 billion reduction in NPEs, a €0.8 billion reduction in Retail UK, in-line with our strategy, and against an uncertain geopolitical backdrop, a €1.6 billion reduction in net lending in property and international corporate reflecting prudent capital allocation.

Liquid assets of €43.6 billion decreased by €5.1 billion since December 2022, primarily reflecting the KBCI transaction.

Our liquidity profile remains strong, supported by our retail franchise in Ireland. Customer deposits were €100.2 billion, €1 billion higher in 2023, primarily due to growth in Irish deposits of €2.5 billion partially offset by a reduction in corporate deposits. The Group's liquidity ratios reflect this strength. At December 2023, the Group's liquidity coverage ratio was 196% (2022: 221%), the loan to deposit ratio was 80% (2022: 73%), and the net stable funding ratio was 157% (2022: 163%). As expected, the changes in all three ratios in 2023 primarily reflect the impact of the KBCI transaction.

Asset Quality

An underlying net credit impairment charge of €403 million (49bps of gross customer loans) arose in 2023 compared to a charge of €187 million in 2022. This charge reflected loan book experience in the period; and additional management adjustments to address potential risks, primarily in Commercial Real Estate. NPEs decreased by €0.1 billion to €2.5 billion in 2023. NPE ratio reduced by 50 basis points to 3.1% of gross customer loans.

Capital Position

Our fully loaded CET1 capital ratio was 14.3% at December 2023. The Group's capital performance in 2023 benefitted from strong net organic capital generation of 340 basis points partially offset by the completion of the KBCI acquisition, investment in RWA and IFRS17 implementation. Capital ratios also reflect the full impact of the Group's announced capital distributions, including the accrual of our foreseeable cash dividend for 2023 of €634 million, achieving our ordinary dividend payout ratio target of 40% one year early, and the approved share buyback of €520 million.

2024 outlook

2024 net interest income is expected to be 5-6% lower than the Q4 2023 annualised run rate of €3.65 billion primarily reflecting the anticipated lower interest rate environment. Business income in 2024 is expected to be mid-single digit percent higher than 2023 supported by continued growth in Wealth and Insurance and Retail Ireland.

2024 operating expenses are expected to be mid-single digit percent higher than 2023 reflecting inflation, business growth and additional investment to future proof our business, partially offset by efficiencies. We expect levies and regulatory charges to be €160 - €165 million in 2024.

In 2024, subject to no material change in economic conditions or outlook, we expect an impairment charge in the low 30s basis points.

We expect 2024 RoTE to be > 15%.

We expect strong capital generation to continue in 2024, with 260 to 280 basis points of net organic capital generation. The Group expects 2024 distributions to comprise a combination of ordinary dividends and share buybacks, with interim distributions to commence.

Ends

https://investorrelations.bankofireland.com/results-centre/

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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, 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, future share buybacks, 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 Russia's invasion of Ukraine and the Israeli-Palestinian conflict 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 2023. Investors should also read 'Principal Risks and Uncertainties' in the Group's Annual Report for the year ended 31 December 2023 beginning on p 135.

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.