Bank of Ireland Group plc (the "Group")
Publishes Annual Results for the 12 months to 31st December 2019

24 February 2020

CEO Comment: Francesca McDonagh, Bank of Ireland Group CEO:
"The Group has continued to deliver on our strategic priorities throughout 2019. For the second successive year, we have grown our loan book, expanded our Wealth and Insurance business, reduced our cost base and lowered our non-performing exposures (NPEs). We grew our capital base during 2019 and are reporting an underlying profit before tax of €758 million for the period."

2019 Key Highlights:
- Underlying profit of €758m
- Operating profit pre-impairment; increase of 10%
- Net lending growth of €2.0bn; new lending of €16.5bn
- Stable net interest income; NIM of 2.14%
- 6% growth in business income
- Strong cost discipline; net reduction €67m (4%)
- NPE ratio 4.4%; reduction of 190bps
- Net impairment charges of €215m (26bps)
- Increased fully loaded CET1 capital ratio by 60bps to 13.8%

Income Statement
The Group generated an underlying profit before tax of €758 million in 2019. Underlying operating profit before net impairment losses increased by 10%.

Net interest income of €2.15 billion was in line with 2018. Net interest margin (NIM) was 2.14%, in line with our expectations. The Group's NIM reflects the positive impact from new lending margins and strong commercial pricing discipline, offset by the sale of our UK credit card portfolio, competitive pressure in the UK mortgage market and growth in liquid assets.

Fees and other income arise from diversified business activities including wealth, bancassurance, foreign exchange and transactional banking fees. This includes business income of €666 million which, after excluding the impact of non-core income relating to UK credit cards and ATMs, is 6% higher than for the same period in 2018. Our Wealth and Insurance business was a key driver of this growth where operating income increased by 11%, annual premium equivalent (APE) new business sales were up 11%, Life market share grew 2% to 22%, and penetration of the bank customer base increased from 26% in 2018 to 32% in 2019.

Operating expenses (excluding levies and regulatory charges) reduced to €1,785 million in 2019, a net decrease of 4% compared to 2018. A 6% gross reduction in costs, driven by simplifying our organisation, sourcing strategically and improved ways of working, created capacity to absorb higher depreciation and targeted investment in our people and infrastructure.

A net impairment charge of €215 million in 2019 compared to a net impairment gain of €42 million in 2018. This primarily reflects a more normalised level of impairments and also losses on a small number of large exposures during 2019.

Non-core charges of €113 million included amounts relating to our customer redress programme (the Tracker Mortgage Examination) together with restructuring charges related to cost reduction programmes.

Balance Sheet
The Group's loan book increased by €2.5 billion during 2019 (€0.8 billion on a constant currency basis). Net lending growth of €2.0 billion and the acquisition of a portfolio of loans, was partially offset by NPE securitisation and sale transactions and the disposal of the Group's UK credit card portfolio. Total new lending volumes in 2019 were €16.5 billion, 3% higher than 2018 on a constant currency basis. Customer deposits of €84.0 billion grew by €5.1 billion primarily reflecting strong economic activity in Ireland.

Market share in new mortgage lending in Ireland was 24% in 2019. Strong positive momentum in market share of mortgage applications during the second half of 2019 provides a good pipeline for new mortgage lending in 2020.

Asset quality has remained strong in 2019 with improvements in particular across loan portfolios with elevated levels of NPEs. NPEs reduced by €1.5 billion to €3.5 billion, equating to an NPE ratio of 4.4% of gross customer loans. This reduction reflects working closely with customers to agree sustainable solutions (€0.9 billion), and NPE securitisation and sale transactions (€0.6 billion).

Capital
Fully loaded CET1 capital ratio at December 2019 was 13.8%. The Group generated 170 basis points of organic capital in 2019. In addition, the Group unlocked 40 basis points of capital from the securitisation of non-performing Irish mortgages and the sale of the UK credit card portfolio. The Group continues to strategically optimise, invest and allocate capital to support investments in loan book growth, transformation, regulatory capital demands and distributions to our shareholders.

A dividend of 17.5 cent per share or €189 million, a 9% increase on 2018, is proposed in respect of full year 2019.

Updated Financial Targets
The environment in which the Group operates has changed materially and is more challenging. Most notably from a financial returns perspective, there has been a change in interest rate expectations with interest rates now expected to remain at the current historically low levels for a number of years.

The Group is therefore revising its targeted return on tangible equity (RoTE) for 2021 to c.8% (from in excess of 10%). We continue to target a return on tangible equity of in excess of 10% over the longer term.

The Group's relentless focus on cost management has seen costs reduce during each of the past four reporting periods. Reflecting this strong momentum the Group is lowering its cost target by €50 million to €1.65 billion in 2021. The Group will do this while continuing to invest in our people and infrastructure.

The Group's capital position remains robust with strong organic generation of capital. The regulatory capital framework continues to evolve. In December 2019 the Bank of England announced an increase in the UK countercyclical capital buffer resulting in a 30bps increase in the Group's regulatory requirements from December 2020. Reflecting this change the Group is increasing its target CET1 ratio to in excess of 13.5% (from in excess of 13.0%) on a regulatory basis and on a fully loaded basis at the end of the Other Systematically Important Institutions (O-SII) phase-in period in 2021.

The Group's dividend policy remains unchanged; to increase on a prudent and progressive basis and, over time, build towards a payout ratio of around 50% of sustainable earnings.

2020 Outlook

- Net lending growth of c.€2bn while maintaining commercial discipline on risk and pricing
- NIM expected to be c.2.05%
- 2020 net interest income expected to be broadly in line with 2019
- Continued growth in Wealth and Insurance business
- Costs in 2020 to be lower than 2019
- Further progress in NPEs
- Net impairment charge to be at the upper end of a range of 20bps – 30bps p.a. during 2020-2021
- Capital benefitting from organic generation and capital initiatives
- Progress towards 2021 RoTE target of c.8.0%

Ends

http://www.rns-pdf.londonstockexchange.com/rns/8698D_1-2020-2-24.pdf

For further information log on to www.bankofireland.com/investor or contact:

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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 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, 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.