Bank of Ireland Group plc (the "Group")
Publishes Annual Results for the 12 months to 31st December 2020

1 March 2021

Comment: Francesca McDonagh, Bank of Ireland Group CEO:

"Through an exceptionally challenging year, our focus was on supporting our customers through every stage of the COVID-19 crisis while continuing to deliver our strategy. When COVID-19 hit, we radically changed how we operate so that we could provide the services our customers needed, including payment breaks for mortgages and business loans. Our speed of response was made possible by the investments we have made in transforming our culture, systems and business model.

At the same time, we continued to deliver our strategy – launching new digital services, reducing customer complaints, and improving our Net Promoter Score (NPS) significantly. We also grew our market share in Irish mortgages and SME lending, made good progress in the reshaping of our UK business, and further reduced costs. Today, we are setting out our plans to go further, with a new cost target for 2023.

For many years, the trend to digital banking has been evident, with customers using branches less and less. COVID-19 has accelerated this changing behaviour, and we've seen a seismic shift towards digital banking over the past 12 months. We've now reached a tipping point in customer preferences between online and offline banking. That's why we've also announced changes to our branch network in Ireland and Northern Ireland today, while protecting access to local banking services though a new arrangement with An Post."

Financials:
- Strong CET1 capital ratios; regulatory ratio 14.9% and c.510bps headroom to minimum regulatory requirements, fully loaded ratio 13.4%
- Underlying loss before tax €374 million; return to profitability in the second half of the year of €295 million
- Total income 8% lower year on year
- Costs reduced by 4%; c.€1.7 billion cost target achieved one year early
- New €1.5 billion cost target for 2023
- Irish mortgage market share improved 2% to 25.5% in 2020
- IFRS 9 impairment charge €1.1 billion; at the lower end of guidance range
- Pre-impairment organic capital generation of 125 basis points

Income
Net interest income of €2.1 billion is 2% lower than 2019 due to lower new lending volumes and the on-going impact of lower interest rates. Surplus liquidity continues to weigh on interest income with lower yielding liquid assets, as a proportion of average interest earning assets, increasing in the year.

Management actions, including the impact of applying negative interest rates to certain deposits, has supported interest income. In addition, improved margins on UK mortgage lending has been positive. The Group continues to maintain strong commercial pricing discipline with loan asset spreads remaining stable.

The second half of 2020 demonstrated good momentum and an improvement in economic activity, with business income, including share of associates and JVs, 12% higher than the first six months of 2020. Notwithstanding this improvement, business income was down 21% in 2020 when compared to 2019.

Costs and non-core costs
The Group continues to maintain tight control over its cost base while investing in transformation and the impact of wage inflation. Operating expenses (excluding levies and regulatory charges and impairment of

intangible assets and goodwill) are 4% lower in 2020 compared to 2019. The net reduction of 4% includes €25 million of COVID-19 related costs incurred during 2020. The Group has successfully achieved our 2018 Investor Day target of c.€1.7 billion of costs one year early, with costs reduced by 10% since 2017.

The voluntary redundancy scheme, concluded during 2020, will deliver a c.€114 million reduction in annual staff costs when fully completed. The restructuring charge of €189 million is captured within the Group's non-core costs of €386 million in 2020. In addition to the voluntary redundancy restructuring charge, non-core costs include further restructuring costs of €56 million, the €136 million charge taken in the first half of 2020 on the impairment of intangible software assets, and customer redress costs of €39 million.

Balance Sheet
Customer loan volumes were €76.6 billion at the end of December 2020, a decrease of €2.9 billion since December 2019 (€0.8 billion reduction on a constant currency basis). New lending of €13.3 billion, excluding RCFs of €0.7 billion, declined 19% compared to 2019 while loan redemptions were €14 billion.

The Group's market share of new mortgage lending in Ireland averaged 25.5% in 2020 representing a 2% increase in market share in the year while continuing to maintain risk and pricing discipline.

The Group's liquid assets of €30.7 billion have increased by €3.6 billion since December 2019 reflecting lower loan volumes and surplus liquidity, with customer deposits increasing by €4.6 billion since the start of the year.

The Group successfully issued €975 million of AT1 securities in 2020, filling the Group's Pillar 1 and P2R requirements for AT1.

Asset Quality
A net credit impairment charge of €1,133 million on financial instruments in 2020 compared to €215 million in 2019. This charge, c.60% of which was taken on performing loans, reflects the impact on IFRS 9 from the Group's latest macro-economic outlook, a management adjustment related to the risk that longer term credit supports may be required for customers affected by COVID-19 and actual loan loss experience in the period.

Actual loan losses in the period of €437 million, primarily in corporate and property portfolios, include €253 million on legacy property exposures. The Group's impairment coverage increased to 2.9% from 1.6% at December 2019.

Our non-performing exposures (NPE) increased by €1 billion to €4.5 billion, equating to an NPE ratio of 5.7% of gross customer loans. This increase, all of which occurred in the first six months of 2020, primarily reflects credit migration in our property and construction portfolios, and the implementation of the new Definition of Default regulatory framework.

Capital Position
The Group's regulatory CET1 capital ratio of 14.9% and fully loaded CET1 capital ratio of 13.4% at December 2020 remain strong despite elevated levels of impairment charges in the period. Pre-provision organic capital generation and the reversal of the dividend declared in respect of 2019 was more than offset by the impact of credit deterioration, transformation investment and other movements. Minimum regulatory capital requirements were reduced by c.188 basis points in 2020 with the Group's 2021 requirement set at 9.77%. The Group's 14.9% regulatory CET1 capital ratio at December 2020 provides headroom of c.510 basis points to our 2021 requirements.

2021 Outlook
The outlook continues to be impacted by COVID-19. 2021 total income is expected to be broadly in line with 2020 reflecting lower net interest income, higher business income supported by our Wealth and Insurance business and a lower charge for valuation items. Costs will continue to reduce with 2021 costs

to be less than €1.65 billion and a new 2023 cost target of €1.5 billion. On asset quality, subject to no further deterioration in the economic conditions or outlook, the majority of the credit impairment risk associated with COVID-19 has been captured and we expect the 2021 impairment charge to be materially lower than 2020.

On capital, 2021 CET1 ratios are expected to remain broadly in line with December 2020 levels with distributions to recommence on a prudent and progressive basis based on performance and capital position.

Additional Information

Total payment breaks granted and remaining outstanding as at 12 February 2021 – Ireland							
Ireland	**Total payment breaks granted**	**Total payment breaks exposure**	**Payment breaks active**	**Payment breaks exposure active**	**% returned to pre-COVID-19 terms**	**% of payment breaks active**	**% with approved additional measures**
Mortgages	20k	€3.0bn	0.4k	€70m	95%	2%	3%
Consumer	7k	€0.1bn	0.0k	€0m	95%	0%	5%
SME	12k	€2.9bn	0.1k	€67m	88%	1%	11%
Total	**39k**	**€6.0bn**	**0.5k**	**€137m**	**93%**	**1%**	**6%**

Total payment breaks granted and remaining outstanding as at 12 February 2021 - UK							
UK	**Total payment breaks granted**	**Total payment breaks exposure**	**Payment breaks active**	**Payment breaks exposure active**	**% returned to pre-COVID-19 terms**	**% of payment breaks active**	**% with approved additional measures**
Mortgages	22k	€3.4bn	1.3k	€212m	94%	6%	0%
Consumer	32k	€0.4bn	3.6k	€41m	87%	11%	2%
SME	6k	€0.3bn	0.1k	€15m	97%	1%	2%
Total	**60k**	**€4.1bn**	**5.0k**	**€268m**	**90%**	**8%**	**2%**

Ends

http://www.rns-pdf.londonstockexchange.com/rns/6551Q_1-2021-3-1.pdf

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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, business model, projected costs, margins, future payment of dividends, 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.