Bank of Ireland Group plc (the "Group")
Publishes Annual Results for the 12 months to 31st December 2021

28 February 2022

Comment: Francesca McDonagh, Bank of Ireland Group CEO:

"Today we are announcing a strong rebound in our financial performance for 2021, continued momentum in the execution of our strategy, and confidence in our growth outlook for 2022 and beyond.

"We delivered our strongest performance since the global financial crisis. Our disciplined focus on the execution of our strategy underpins these results, while also supporting our customers throughout the very challenging COVID-19 pandemic. In 2021 we achieved a 25% increase in operating profit pre-impairment when compared to 2019 (pre-pandemic). We grew income, reduced costs for the eighth consecutive reporting period, and significantly increased capital ahead of the anticipated completion of two transformational acquisitions of Davy and KBC Ireland's portfolios.

"As a result of this profitability and strong capital position we are recommencing distributions, in line with our prudent and progressive policy, with a total of €104 million of dividends and buybacks proposed.

"While uncertainties remain about the residual impacts of COVID-19 and emerging geo-political developments in Eastern Europe, the outlook across our core markets is positive. We see continued momentum as we execute our strategy, leading to positive outcomes for customers and colleagues, and growth in sustainable returns for shareholders. This underpins our target to deliver a sustainable return on tangible equity in excess of 10%.

"Having repaid the Irish State almost a decade ago, we look forward to becoming the first Irish bank to return to full private ownership this year. During 2022, we also plan to provide an update on our strategy and outlook to 2024, including refreshed medium-term targets."

Key highlights:

- €1.4 billion underlying profit before tax; strong rebound in performance
- Adjusted RoTE of 12.7% reflecting a strong operating performance and an impairment gain; on path to deliver sustainable RoTE > 10%
- Strong capital position; regulatory CET1 ratio 17.0%, fully loaded CET1 ratio 16.0%
- Capital strength supporting c.200bps investment to execute agreed acquisitions of Davy and KBC Bank Ireland (KBCI) portfolios
- Prudent and progressive distributions recommence, reflecting strong financial performance, strategic progress and confident outlook; proposed distribution of €104m including cash dividend of €54m and €50m for ordinary share buyback
- Total income 12% higher year on year; net interest income +5%, business income (including share of associates and JVs) +15%, and positive contribution from additional gains, valuation and other items
- UK strategic actions and supportive market drive turnaround in 2021; 32% year on year improvement in operating profit pre-impairment
- Total new lending of €14.2 billion in 2021; net lending of €0.6 billion in Retail Ireland and Corporate and Markets, €2.9 billion of Retail UK deleveraging in line with strategy focused on value over volume
- Costs reduced by 4%; cost target of <€1.65 billion achieved and eighth consecutive reporting period of cost reduction
- Net credit impairment gain of €194 million; reflects improved economic outlook and muted loan loss experience
- Strong asset quality; non-performing exposures (NPE) reduced 20 basis points year on year to 5.5%

Responsible and Sustainable Business (RSB)
We launched our RSB strategy, 'Investing in Tomorrow' in March 2021 and we have continued to deliver under our three key pillars of Enabling Colleagues to Thrive; Enhancing Financial Wellbeing; and Supporting the Green Transition. We are supporting the transition to a more sustainable economy through the increase in our Sustainable Finance Fund by €3 billion to €5 billion, reflecting our expectation of a material increase in customer demand in the coming years.

Since the launch of our Green Mortgage in 2019, €1.8 billion has been drawn and green mortgages accounted for c.35% of mortgage lending in 2021 and c.45% in Q4 2021. Green lending to our business and corporate customers also increased significantly in 2021, with business banking term lending up over 50% and non-property corporate commitments up over 100%. We issued €1.3 billion of green bonds in 2021 and remain on track to establish and publish science based targets. We will issue our first sustainability report during 2022.

Income
Net interest income in 2021 is 5% higher than 2020. This reflects reduced funding costs and the increased application of negative interest rates on certain deposits offsetting the impact of low rates that continues to negatively impact on liquid assets and structural hedges. Interest income was boosted by €62m from participation in the ECB's TLTRO III in 2021. The Group continues to maintain strong commercial discipline with loan asset spreads 12 basis points higher in 2021 compared to 2020.

Business income, including share of associates and JVs, has increased 15% compared to 2020. 2021 performance was supported by divisional income growth in Wealth and Insurance 24% higher, Corporate and Markets 13% higher, and Retail Ireland 3% higher.

Additional gains, valuation and other items provided a positive contribution of €89 million in 2021.

Costs
The Group continues to maintain tight control over its cost base while investing in transformation and absorbing cost inflation. Operating expenses (excluding levies and regulatory charges) are 4% lower in 2021 compared to 2020. The net reduction of 4% is supported by 8% lower staff costs, reflecting a 11% reduction in FTEs since December 2020, and a 12% reduction in depreciation charges.

Balance Sheet
Customer loan volumes were €76.3 billion at the end of December 2021, €0.3 billion lower compared to December 2020. On a constant currency basis and excluding planned UK deleveraging of €2.9 billion and the successful NPE transaction of €0.3 billion, the loan book grew by €0.6 billion in 2021. New lending, excluding Retail UK, increased 16% in 2021 compared to 2020.

The Group's liquid assets of €49.7 billion increased by €19.0 billion since December 2020 primarily reflecting the Group's €10.8 billion participation in the ECB's TLTRO III in March, an increase in customer deposits, lower lending volumes and higher wholesale funding.

Customer deposits were €92.8 billion, €4.2 billion higher than December 2020. Wholesale funding was €21.4 billion at the end of December 2021, €12.6 billion higher than December 2020 primarily due to TLTRO participation.

Asset Quality
A net credit impairment gain of €194 million in 2021 compared to €1.1 billion charge in 2020. This gain reflected the improved economic outlook, management adjustments, and actual loan loss experience and portfolio activity in the period.

Our NPEs decreased by €0.2 billion to €4.3 billion in 2021, equating to an NPE ratio reduction of 20 basis points to 5.5% of gross customer loans. This decrease reflects the €0.3 billion NPE transaction completed in H1 2021 partly offset by net inflows of €0.1 billion in the period.

Capital Position
Strong capital position at December 2021 with the Group's regulatory CET1 capital ratio of 17.0%. The Group's fully loaded CET1 capital ratio of 16.0% increased by 280bps excluding distributions. The improvement in the ratios from the end of 2020 reflected organic capital generation combined with the benefit from impairment performance, balance sheet optimisation transactions, and other movements. This was partially offset by planned investment in transformation, lending and a deduction for the proposed capital distribution. The Group's 17.0% regulatory CET1 ratio provides headroom of c.720 basis points to our 2021 regulatory requirements excluding P2G. The Group has sufficient capital resources to complete the agreed acquisitions with capital investment of c.200 basis points.

2022 outlook (excludes impact from acquisitions)
Total income is expected to be in line with 2021 reflecting broadly stable net interest income, higher business income, and a zero contribution expected from valuation items. Costs will continue to reduce with 2022 costs lower than 2021 after absorbing inflation.

On asset quality, the impairment outlook is expected to remain benign in 2022 with the impairment charge expected to be below normalised levels. Subject to no material change in the economic conditions or outlook, we expect the 2022 impairment charge to be lower than 20 basis points. We expect NPEs to continue to reduce.

On capital, completion of the proposed acquisitions is expected to consume c.200bps of capital. We expect continued strong capital generation in 2022 and the capital outlook supports continued growth and investment. Distributions are expected to increase on a prudent and progressive basis.

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, 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.