Bank of Ireland Group plc (the "Group")
2022 Annual Results and Strategy Update

7 March 2023

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

"We had an excellent performance in 2022. This caps out four years of delivery by the team at Bank of Ireland and gives us a great place to build from.

"In 2022 we made two stand out acquisitions and grew our customer base by over 11%. We met or exceeded key financial targets, and ended the year with a very strong capital position. This allows us to propose a c.250% increase in distributions. We also returned to full private ownership, a unique position in Ireland amongst domestic retail peers. In all, we became a better bank for our customers, our colleagues, and our shareholders.

"I see a real opportunity for the future. The strength and depth of our Irish franchise is unique, and enhanced by the transformational acquisitions of Davy and the KBC portfolios. This is complemented by great international businesses in the UK, continental Europe and the United States. Notwithstanding global uncertainty, Ireland's economic backdrop remains supportive. This all informs our refreshed strategy which is built on three pillars – stronger relationships, simpler business, and sustainable company.

"I'm excited by this strategy, and the opportunities it presents to live our purpose – which is to help our customers, colleagues, shareholders, and society thrive."

Key highlights:
- €1.2 billion underlying profit before tax; operating profit pre-impairment +15% year on year
- Adjusted RoTE of 10.6% reflecting a strong operating performance; methodology updated to deduct non-core costs
- Strong capital position; fully loaded CET1 ratio 15.4%; revised CET1 guidance of >14%
- Proposed distribution of €350 million, reflecting strong financial performance; €225 million ordinary dividend (21 cents per share), equivalent to 25% pay-out ratio of statutory profit, combined with €125 million additional distribution via share buyback, subject to regulatory approval
- Total income 11% higher year on year; net interest income +12%; business income (including share of associates and JVs) +27%
- Strategic progress accelerated in 2022: AUM +c.75% to c.€39bn, including €18.4bn following Davy acquisition; Bank of Ireland is the only privately held domestic bank in Ireland following State sell down; €7.8bn KBC Ireland portfolio acquisition completed and portfolios successfully migrated
- Total new lending of €15.6 billion in 2022 +10% year on year; net lending of €1.6 billion in Retail Ireland and Corporate, €3.9 billion of Retail UK deleveraging in line with strategy focused on value over volume
- Strong cost performance; like for like costs lower, reported costs higher reflecting Davy acquisition and additional one-off investment to capture opportunities from exiting banks in Ireland
- Net credit impairment charge of €187 million
- Strong asset quality; NPE ratio reduced 190 basis points year on year to 3.6% reflecting the successful completion of a number of management actions
- New annual financial targets for 2023-2025 post strategy update:
    - c.15% ROTE
    - Cost to income ratio < 50%
    - Build to c.40% ordinary dividend pay-out ratio
    - Distribution of surplus capital to be considered annually

Income
Net interest income in 2022 is 12% higher than 2021 reflecting higher customer balances, higher interest rates and business momentum. Commercial discipline maintained with loan asset spread 22bps higher vs 2021. Business income (including share of associates and JVs) has increased 27% reflecting Davy acquisition and increased customer activity (15% higher excluding Davy).

Costs
The Group continues to maintain tight control over its cost base. Reported costs were 6% higher in 2022, reflecting the inclusion of Davy from 1 June and one-off investment relating to the on-boarding of new customers in an operationally safe manner during the year. Like-for-like costs were lower, with inflationary headwinds offset by efficiencies and other items.

Balance Sheet
Customer loan volumes decreased by €4.4 billion during 2022. On a constant currency basis, excluding Retail UK deleveraging in line with strategy of €3.9 billion and the NPE transactions of €0.9 billion, the loan book grew by €1.6 billion in 2022. Gross new lending of €15.6 billion is €1.5 billion higher than 2021.

Liquid assets of €48.7 billion decreased by €1 billion since December 2021, primarily reflecting the repayment of all TLTRO funding in November 2022, offset by higher deposit balances.

Customer deposits were €99 billion, €6 billion higher than December 2021 primarily reflecting growth in Retail Ireland of €11 billion predominantly driven by higher household and SME volumes combined with customer migration from banks exiting the Irish market. This was partially offset by lower Retail UK deposits arising from deleveraging in line with strategy.

Asset Quality
A net credit impairment charge of €187 million (25bps of gross customer loans) arose in 2022 compared to a gain of €194 million in 2021. This charge reflected the impact on IFRS 9 models of Forward Looking Information from the Group's latest macro-economic outlook; movement in management adjustments; actual loan loss experience in the period and other movements. NPEs decreased by €1.7 billion to €2.6 billion in 2022, equating to an NPE ratio reduction of 190 basis points to 3.6% of gross customer loans.

Capital Position
Strong capital position at December 2022 with the Group's fully loaded and regulatory CET1 capital ratios at 15.4% and 15.9% respectively. The Group's capital ratios performance in 2022 benefitted from strong organic capital generation and other movements, partially offset by investment in lending, the completion of the Davy acquisition and the accrual of a foreseeable 2022 capital distribution.

2023 outlook
2023 net interest income is expected to be more than 12% higher than the Q4 2022 annualised level of c.€3 billion, reflecting business momentum, interest rate expectations and the acquisition of the KBC portfolios in Q1 2023. Reported business income (including JVs) is expected to be high single digit percent lower due to the adoption of IFRS 17. Adjusting for IFRS17, business income is expected to increase supported by growth in Wealth, Retail Ireland and the benefit of a full year of Davy.

Like-for-like costs are expected to be broadly in line with 2022 with reported costs mid single digit percent higher than 2022, reflecting the KBC portfolio acquisition, investment and other items. Levies expected to be c.€160m. Non-core items expected to be lower than 2022.

On asset quality, subject to no material change in the economic conditions or outlook, we expect the 2023 impairment charge to be mid 30s bps.

On capital, we expect organic capital generation to materially increase in 2023.

Strategy Update

Bank of Ireland is Ireland's National Champion bank, with a history and heritage spanning more than two centuries. We will build on these strong foundations as we embark on the next phase of our story. We are setting out this next phase today, with an updated strategy including financial targets for the three years to the end of 2025.

This strategy will be guided by our purpose, which is to help customers, colleagues, shareholders and society to thrive. Our values are central to how we work to deliver this strategy. At Bank of Ireland, we are customer first, better together, take ownership and are decisive.

The Group's strategy is focused on three strategic pillars. These are stronger relationships, simpler business and a sustainable company. The Group has a bright financial outlook. Supported by our macro-economic and interest rate assumptions, our new annual financial targets for the 2023 to 2025 period are a RoTE of c.15% and a Cost Income Ratio of < 50%. In turn, this returns profile is supportive of strong distributions to shareholders. We have updated our distribution policy as part of the strategy update. The Group's aim is to distribute an annual ordinary dividend building to c.40% of statutory profits. The Board will also consider the distribution of surplus capital on an annual basis.

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