Bank of Ireland Group plc (the "Group")
Publishes Annual Results for the 12 months to 31st Dec 2018

25 Feb 2019

2018 Key Highlights:

Profitability
- Underlying profit of €935m
- NIM of 2.20%; maintaining strong commercial discipline on pricing
- Further improvement in asset quality; NPEs reduced by 24% to €5.0bn; NPE ratio now at 6.3%
- Net impairment gains of €42m

Growth
- Net lending of €1.3bn; new lending €15.9bn, increase of 13% vs. 2017
- New Irish mortgage growth of 17%; stable market share of 27% with strong commercial pricing discipline maintained
- Business income of €672m; 21% business income growth in Wealth & Insurance vs 2017

Transformation
- Cost reduction of 3% / €48m vs. 2017
- Transformation Investment of €306m in 2018 is supporting our growth ambitions, improving customer service and driving efficiencies; €113m expensed to income statement
- Continue to transform our culture with ambition, purpose and values being embedded across organisation
- Foundations of new Core Banking Platforms in place, new mobile banking app will launch in 2019, first full scale customer deliverable using new Temenos technology
- Business model initiatives to drive efficiencies progressing at pace

Capital
- Strong organic capital generation of 180bps
- Fully loaded CET1 ratio of 13.4%; regulatory CET1 ratio of 15.0%
- Capital and dividend guidance remain unchanged; dividend increased to 16c per share (€173m) from 11.5c per share (€124m) in 2017

2019 Outlook:
- Expect net lending growth in 2019 while maintaining commercial discipline on risk and pricing
- Expect NIM to be c.2.16% in 2019
- Expect further reductions in operating expenses, and asset quality to continue to improve
- Absent a change in the economic environment or outlook, expect net impairment charge to be in the range of up to 20bps – 30bps p.a. during 2019-2021
- Will continue to generate strong organic capital
- Dividend to increase prudently and progressively; over time will build towards a payout ratio of around 50% of sustainable earnings

CEO Comment: Francesca McDonagh, Bank of Ireland, Group CEO, commented:

"The Group has made good progress in 2018 and is delivering against the strategic targets for growth and transformation we have set out for 2021.

We defined our multi-year strategy in June 2018, setting out clear targets until 2021. We have grown our loan book with net lending of €1.3 billion in 2018 as we support our retail and corporate customers across all our markets. This inflection point represents growth for the first time in a number of years and we are confident of further growth. We have reduced our operating expenses by 3%, a first step towards fundamentally improving the Group's efficiency while still investing in our business. Our systems transformation has made good progress with the testing of our first customers on the new core banking platform. We are taking actions to increase returns in our UK business. Our non-performing exposures continue to reduce. This progress underpins our 2018 results, with the Group delivering an underlying profit of €935 million"

Ireland – Leading bank in a growing economy:

- Ireland's leading retail and commercial bank, continuing to support and benefit from economic growth in Ireland
- Irish mortgage business performed strongly over the period with €2.3 billion of new residential mortgage lending in Ireland, an increase of 17% from 2017 with a stable market share of 27%; re-entered the Irish mortgage broker market in Q4 2018, which will further support growth in our mortgage business
- Only bancassurer in the Irish market. Wealth and Insurance experienced 21% income growth vs. 2017 and increased penetration of our customer base from 23% to 26%
- Ireland's #1 bank for businesses; largest provider of new business lending into the Irish economy
- Ireland's #1 corporate bank with new lending volumes of €4.4 billion during 2018, up 21% on 2017
- Supporting home building and buying in Ireland; funding the construction of 5,400 new homes on 140 sites as well as 2,750 student beds including 1,400 under development
- Supporting 2 out every 3 FDI projects into Ireland

International businesses provide diversification and attractive business opportunities:

- Consumer financial services provider in the UK with distribution via partners with trusted brands
- Broad range of retail products including savings, mortgages, loans, credit cards and ATM facilities
- Long standing partnerships with Post Office and strategic intermediaries; partnership with AA continues to develop
- Post Office / AA top two most trusted brands in the UK
- Northern Ireland business is a full service retail and commercial bank and is performing in line with our business objectives
- Northridge car finance new lending of £1.1bn
- Committed to increasing returns in UK: progressing UK credit card portfolio options; continued run down of legacy portfolios
- International Acquisition Finance performing well
- Corporate Banking UK delivered strong performance; new lending of €0.9bn, disciplined approach with strong Brexit focus

Key Financial Highlights:

Group Income Statement

- Underlying profit of €935m
- NIM of 2.20% reflecting the cost of securities issued in the second half of 2017 in advance of TRIM and MREL, lower liquid asset yields due to bond sales and the impact of the ongoing low interest rate environment, reclassification of NAMA sub debt due to introduction of IFRS 9 and competitive

pressures in the UK mortgage market driving lower than expected market pricing and shorter customer reversion periods
- Other income of €659m includes sustainable business income of €672 million which increased by €10m from 2017
- Operating expenses (before levies and regulatory charges) of €1,852m reduced by €48m (3%) vs. 2017
- Transformation investment in 2018 of €306m (CET1 ratio impact of c.60bps); €113m expensed to income statement
- Non-core charge of €100m primarily related to costs associated with the Group's restructuring programme
- Net impairment gains on loans and advances to customers of €36m for 2018, primarily reflecting: Strong performance of the Group's loan portfolios, positive outcomes from ongoing resolution of NPEs, continued positive economic environment and an outlook of continued economic growth in key markets

Balance Sheet and Capital

- Customer loans of €77.0bn reflecting net lending of €1.3bn with new lending of €15.9bn, customer redemptions of €14.6bn and IFRS 9 Day 1 impact and other items of €0.4bn
- Non-performing exposures of €5.0bn / 6.3% of customer loans; reflects a €1.5bn / 24% reduction during 2018
- Strong liquidity ratios: Net Stable Funding Ratio - 130%, Liquidity Coverage Ratio - 136%, Loan to Deposit Ratio - 97%
- Customer deposits of €78.9bn account for 97% of Group funding, predominantly retail sourced
- Leverage ratio: Fully Loaded Leverage Ratio of 6.3%, Regulatory Leverage Ratio of 7.0%
- Strong organic capital generation of 180bps in 2017; robust capital ratios
    - Regulatory CET1 ratio of 15.0%
    - Fully loaded CET1 ratio of 13.4%
    - Regulatory Total Capital ratio of 18.8%
- The Group expects to maintain a CET1 ratio in excess of 13% on a regulatory basis and on a fully loaded basis by the end of the O-SII phase-in period. This includes meeting applicable regulatory capital requirements plus an appropriate management buffer
- Dividend increased to 16c per share (€173m / 40bps) from 11.5c per share (€124m / 25bps) in 2017
- Expect that dividends will increase on a prudent and progressive basis and, over time, will build towards a payout ratio of around 50% of sustainable earnings

Ends

http://www.rns-pdf.londonstockexchange.com/rns/9758Q_1-2019-2-25.pdf

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

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Forward-Looking Statement

This document 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, 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 document should be considered to be a forecast of future profitability or financial position of the Group and none of the information in this document is or is intended to be a profit 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.