The Governor and Company of the Bank of Ireland (the "Group")
Publishes Annual Results for Year Ended December 31st 2016

24 February 2017

2016 Key Highlights:

- **Underlying profit of €1,071m, all trading divisions profitable**
- **Increased fully loaded CET1 ratio by 100bps to 12.3%; Transitional CET1 ratio of 14.2%**
- **Aim to have a sustainable dividend is unchanged. First payment expected in 2018 in respect of financial year 2017**
- **Growth in core loan books of €1.7bn**
- **Continued to be the largest lender to the Irish economy**
- **NIM of 2.19% for the period; NIM of 2.27% in H2 2016**
- **Reduced non-performing loans by a further €4.1bn in 2016; defaulted loans reduced by €3.7bn; net impairment charge reduced to 21 bps**
- **Maintaining strong commercial pricing discipline on loans and deposits**
- **Continuing to invest in our infrastructure, people and our customer propositions; commenced a multi-year investment programme to replace our core banking platforms**
- **Expect investment in our core banking platforms with a CET1 ratio impact of c.35-45bps p.a. over the next 4 years**
- **Group new lending of €13.0bn; acquisitions of €0.2bn**
- **Remaining liabilities under the ELG scheme have matured or were replaced**

CEO Comment: Richie Boucher, Bank of Ireland Group CEO, commented:

'Our business is performing in line with the strategic objectives we have set ourselves. All trading divisions are profitable and have contributed to our strong financial performance during the period. The Group generated an underlying profit before tax of c.€1.1 billion in 2016. We are maintaining strong organic generation of capital and our fully loaded CET 1 ratio increased by 100 basis points during the year to 12.3%. Our core loan books continue to grow and we remain the largest lender to the Irish economy, providing €6.7 billion of new credit to personal and business customers in Ireland. In addition, we generated further borrowing customers in Ireland through loan book acquisitions of €0.2 billion. Our net interest margin grew by 16 basis points in the second half of 2016 to 2.27%. We continue to reduce our non-performing loans, by €4.1 billion or c.34% since December 2015, and our impairment charges have continued to fall.

This year has seen significant developments for the Group. We have commenced a programme to replace our Core Banking Platforms, an investment which will underpin our franchises for the next generation. In addition, political events, in particular the UK's decision to leave the European Union, may impact on our customers and our business growth in the coming years. Nevertheless, we remain confident that the substantial progress the Group has made in recent years along with the strength of our franchises and the benefits of our diversified business model position us well to take advantage of the opportunities and to mitigate risks ensuing from these and other geopolitical developments. We remain focused on serving our customers and developing our profitable, long term franchises in a way that delivers attractive sustainable returns to our shareholders.'

Ireland – Leading bank in a growing economy:

- Largest lender to the Irish economy with new lending of €6.7bn during 2016
- #1 or #2 market positions in all principal product lines
- Ireland's #1 business bank; >50% share of new SME/agri lending; new lending volumes were up 13% on 2015
- Irish mortgage business focussed on fixed rate product offering providing value, certainty and stability for our customers and the Group (c.75% of our new lending in 2016); new lending volumes of c.€1.4bn in 2016; 25% share of new business 2016
- Ireland's only bancassurer – second largest life assurance company in Ireland
- Ireland's #1 corporate bank; lead/agent bank in over of 50% all domestic syndicated/club transactions
- Continue to win >60% share of banking relationships with new FDI entrants to Ireland

International – providing further attractive opportunities for growth:

- Long-standing partnership with Post Office, a leading UK consumer bank with >2m customers
- Continue to develop our shared strategy of enhancing our broadly based customer financial services offering providing a wide range of retail products including savings, mortgages, loans, credit cards and ATM facilities
- Continue to be #1 player in UK consumer foreign exchange
- New partnership with AA on track after first 12 months; complementary to Post Office partnership
- AA / Post Office top 2 most trusted brands in the UK
- Northern Ireland meeting business objectives; Northridge Finance continuing to perform well
- Strong performance from international acquisition finance business

Developing our customer channels, processes and propositions:

- We have made significant progress in transforming our customer franchises
  - Our branches are evolving into business development community hubs driving local commerce
  - We are developing our infrastructure and processes to respond to an increasing customer preference for dealing through direct channels, which were c.50% of all sales units in 2016 (2015: c.30%)
  - We are simplifying our propositions and have digitised over 100 customer journeys
  - We are improving the customer experience with a significant re-configuration of our products and processes during 2016
- Replacing our core banking platforms is the next step in building a customer-centric and efficient organisation
  - Critical enabler to achieving <50% cost income ratio target in medium term
  - Structural reduction in costs from 2019 onwards
  - Personalised, interactive propositions supported by customer insights driving increased cross selling opportunities
  - Risk reduction from robust, flexible and industry leading platforms
  - Enhanced business agility and efficiencies - easy to change, extend and upgrade
  - Open architecture and API capability will enable new business and partnership models
  - Provides strategic optionality
- Expect investment in our core banking platforms with a CET1 ratio impact of c.35-45bps p.a. over the next 4 years with c.50% charged to income statement and c.50% capitalised

Key Financial Highlights:

Group Income Statement

- Underlying profit of €1,071m
- NIM of 2.19% for the period; NIM of 2.27% in H2 2016
- Maintaining strong commercial pricing discipline on loans and deposits
- Other income of €842m includes business income of €621m which is broadly in line with 2015
- Operating expenses of €1,747m in line with 2015; focussed on tight cost control while continuing to invest in our businesses, infrastructure and people
- Operating expenses have remained flat for the last 3 half-year reporting periods on a constant currency basis
- Customer loan impairment charge of 21bps, 40% reduction compared to 2015
- Result includes €171m additional gains, primarily relating to sale of investments in Visa Europe (€95 million) and the gains arising on the completion of the rebalancing of our liquid asset portfolio (€63 million)

Balance Sheet and Capital

- €1.7bn increase in core loan books
- Customer loans €78.5bn; reduction vs. 2015 primarily due to FX translation impact of €5.4bn.
- Customer deposits - account for >95% of Group funding, predominantly retail sourced
- Strong organic capital generation in 2016; Robust capital ratios
    - Increased fully loaded CET1 ratio by 100bps to 12.3%
    - Transitional CET1 ratio of 14.2%
    - Total capital ratio of 18.5%
- Strong liquidity ratios
    - Net Stable Funding Ratio – 122%
    - Liquidity Coverage Ratio – 113%
    - Loan to Deposit Ratio – 104%
- S&P upgrade to BBB in Jan 2017. Positive outlook from Moody's, Fitch and DBRS
- Aim to have a sustainable dividend is unchanged. First payment expected in 2018 in respect of financial year 2017.
    - As additional clarity emerges on the impact of the UK's decision to leave the European Union, and as the more recent improvement in the IAS 19 accounting pension deficit is sustained, the Group expects to re-commence dividend payments in respect of financial year 2017, with the initial payment being made in the first half of 2018
    - Expect dividend payments to re-commence at a modest level, prudently and progressively building, over time, towards a payout ratio of around 50% of sustainable earnings
    - The dividend level and the rate of progression will reflect a range of factors

Ends

http://www.rns-pdf.londonstockexchange.com/rns/7697X_1-2017-2-24.pdf

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

Bank of Ireland

Andrew Keating	Group Chief Financial Officer	+353 (0)766 23 5141
Alan Hartley	Director of Group Investor Relations	+353 (0)766 23 4850
Pat Farrell	Head of Group Communications	+353 (0)766 23 477

Forward-Looking Statement

This document contains certain forward-looking statements with respect to certain of the Bank of Ireland Group's (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. Such risks and uncertainties include, but are not limited to, the following: geopolitical risks which could potentially adversely impact the markets in which the Group operates; uncertainty following the UK vote to exit the EU as to the nature, timing and impact of a UK exit, could impact the markets in which the Group operates including pricing, partner appetite, customer confidence and demand, and customers' ability to meet their financial obligations and consequently the Group's financial performance, balance sheet, capital and dividend capacity; concerns on sovereign debt and financial uncertainties in the EU and the potential effects of those uncertainties on the financial services industry and on the Group; general and sector specific economic conditions in Ireland, the United Kingdom and the other markets in which the Group operates; the ability of the Group to generate additional liquidity and capital as required; property market conditions in Ireland and the United Kingdom; the potential exposure of the Group to credit risk and to various types of market risks, such as interest rate risk and foreign exchange rate risk; the impact on lending and other activity arising from the emerging macro prudential policies; the performance and volatility of international capital markets; the Group's ability to address weaknesses or failures in its internal processes and procedures including information technology issues, cyber-crime risk, equipment failures and other operational risk; the effects of the Irish Government's stockholding in the Group (through the Ireland Strategic Investment Fund) and possible changes in the level of such stockholding; changes in applicable laws, regulations and taxes in jurisdictions in which the Group operates particularly banking regulation by the Irish and United Kingdom Governments together with the operation of the Single Supervisory Mechanism and the Single Resolution Mechanism; the impact of the continuing implementation of significant regulatory and accounting developments such as Basel III, Capital Requirements Directive (CRD) IV, Solvency II, the Recovery and Resolution Directive and IFRS 9; the potential impact of certain ECB initiatives including its thematic review of internal models termed Targeted Review of Internal Models (TRIM); the exercise by regulators of powers of regulation and oversight in Ireland and the United Kingdom; the exposure of the Group to conduct risk such as staff members conducting business in an inappropriate or negligent manner; the introduction of new government policies or the amendment of existing policies in Ireland or the United Kingdom; the outcome of any legal claims brought against the Group by third parties or legal or regulatory proceedings more generally, that may have implications for the Group; the development and implementation of the Group's strategy, including the Group's ability to achieve its targets and ambitions on net interest margins and total operating expenses; the inherent risk within the Group's life assurance business involving claims, as well as market conditions generally; potential further contributions to the Group sponsored pension schemes if the value of pension fund assets is not sufficient to cover potential obligations; the Group's ability to meet customers' expectations in mobile, social, analytics and cloud technologies which have enabled a new breed of 'digital first' propositions, business models and competitors; failure to establish availability of future taxable profits, or a legislative change in quantum of deferred tax assets currently recognised; and difficulties in recruiting and retaining appropriate numbers and calibre of staff.

Nothing in this document should be considered to be a forecast of future profitability or financial position and none of the information in this document is or is intended to be a profit forecast or profit estimate. Any forwardlooking 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.