

**Bank of Ireland Group plc (the “Group”)
Publishes Interim Results for the 6 months to 30th June 2021**

3 August 2021

Comment: Francesca McDonagh, Bank of Ireland Group CEO:

“Our results today, and our outlook for the future, are radically different to 12 months ago. In the first half of 2021 we have had a strong recovery in our business performance. We’ve continued to deliver our strategy, including investing in digital and transforming our business. We’ve maintained a laser-like focus on costs. And, we’ve announced two significant transactions in the form of Davy and KBC.

“This progress is reflected in our financial results. Group operating profit of €465 million is up 72% compared with the same period last year. If we leave aside the turbulent year of 2020, and compare our results to the same period in 2019, our underlying operating profit, pre impairment, is up 7%.

“While COVID-19 is still with us, there is a path to recovery. Comprehensive vaccination programmes are unlocking the vice-like grip that COVID-19 has held over our economies and society. Our economic outlook is increasingly positive with sentiment back to pre-pandemic levels.”

Key highlights:

- €465 million underlying profit before tax; strong recovery in performance
- Strong capital position; regulatory CET1 ratio 15.3%, fully loaded CET1 ratio 14.1%
- Total income 14% higher; net interest income, business income and valuation items all higher vs H1 2020
- Lending balances higher; excluding revolving credit facilities and on a constant currency basis, new lending is 12% higher in H1 2021 vs H1 2020
- Costs reduced by 4%; seventh straight reporting period of sustainable cost reductions
- Net impairment charge of €1 million; reflecting improved economic outlook and minimal loan loss experience
- Strategy further enhanced by two significant acquisition opportunities; completion of KBC Bank Ireland and Davy transactions, subject to regulatory and competition authority approvals, expected in 2022

Income

Net interest income in H1 2021 is 2% higher vs H1 2020. This reflects reduced funding costs and the increased application of negative interest rates on certain deposits. Negative interest rates are helping to offset the low interest rate environment that continues to negatively impact on liquid assets and structural hedges. The Group continues to maintain strong commercial pricing discipline with loan asset spreads 16 basis points higher in H1 2021 vs H1 2020.

Business income, including share of associates and JVs, has increased 8% vs H1 2020 supported by growth in Corporate and Markets’ fee income and our Wealth and Insurance business.

Valuations and other items provided a positive contribution of €34 million in H1 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 H1 2021 vs H1 2020. The net reduction of 4% is supported by 6% lower staff costs, supported by a 11% reduction in FTEs since June 2020, and a 14% reduction in depreciation charges.

Balance Sheet

Customer loan volumes were €77.2 billion at the end of June 2021, €0.6 billion higher vs December 2020. On a constant currency basis and excluding planned UK deleveraging of €1 billion and the successful NPE transaction of €0.3 billion, the loan book grew by €0.3 billion in H1 2021.

New lending, excluding revolving credit facilities and on a constant currency basis, increased 12% in H1 2021 vs H1 2020 with all divisions demonstrating solid recovery.

The Group's liquid assets of €45.5 billion increased by €14.8 billion since December 2020 primarily reflecting the Group's €10.8 billion participation in the ECB's TLTRO¹ III in March and an increase in customer deposits.

Customer deposits were €90.6 billion; €2 billion higher than December 2020. Wholesale funding was €20.4 billion at the end of June 2021, €11.6 billion higher than December 2020 primarily due to TLTRO participation.

Asset Quality

A net credit impairment charge of €1 million in H1 2021 compared to €937 million in H1 2020. This charge reflects the improved economic outlook and muted loan loss experience in the period. The Group continues to maintain a €229m stock of management adjustments at June 2021 for latent risk associated with COVID-19. The requirement to hold this will be assessed at FY 2021.

Our non-performing exposures (NPE) decreased by €0.1 billion to €4.4 billion, 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 €0.2 billion in the period.

Capital Position

Strong accretion of capital in H1 2021, with the Group's regulatory CET1 capital ratio of 15.3% and fully loaded CET1 capital ratio of 14.1% at June 2021 reflecting increases of 40 and 70 basis points respectively. The improvement in capital ratios from the end of 2020 reflected organic capital generation combined with the benefit from our NPE transaction and other movements, partly offset by the impact of transformation investment and lending growth. The Group's regulatory CET1 ratio provides headroom of c.550 basis points over end-2021 regulatory requirements of 9.77% (excluding P2G).

Updating guidance for improved 2021 outlook

Total income in H2 2021 is expected to be c.5% higher vs H1 2021 reflecting higher net interest income (including the benefit from TLTRO III), higher business income, and valuation items broadly unchanged vs H1 2021. Costs will continue to reduce, with 2021 costs of less than €1.65 billion and 2023 costs of €1.5 billion.

On asset quality, subject to no material change in the economic conditions or outlook, we expect the H2 2021 impairment charge to be broadly similar to H1 2021 and supported by the current stock of ILAs of €2.1 billion.

On capital, the Group's end-2021 CET1 ratios are expected to increase by c.30 to 50 basis points above June 2021 levels. Additionally, balance sheet optimisation initiatives are being progressed during H2 2021. The Group has sufficient capital resources available to support execution of both proposed inorganic opportunities. Distributions are to recommence on a prudent and progressive basis based on performance and capital outlook.

1. The ECB's TLTRO III facility provides funding to banks at interest rates which can be as low as 50 basis points below the average interest rate on the ECB's deposit facility over the period to 23 June 2022. Participation in the TLTRO is expected to benefit net interest income, but mechanically lowers net interest margin.

Ends

http://www.rns-pdf.londonstockexchange.com/rns/3740H_1-2021-8-3.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 losses, 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 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.