Sector Developments & Insights

December 2021

Bank of Ireland

Classification: Green

Contents

Introduction

Welcome to the latest edition of our Sectors Developments and Insights update. As our sectors team have engaged with the Irish businesses community in recent months, a number of key trends and issues have emerged nationwide – access to personnel, supply-chain constraints, climate change/sustainability, fluctuating consumer sentiment/confidence and technological/digital innovation. We outline how these themes and topics are being addressed by individual sectors herein. In Bank of Ireland, we continue to proactively engage with our customers and their advisors nationwide and have supported the investment plans of Irish SMEs across a range of sectors in 2021. We look forward to developing these relationships even further in 2022.

Brexit Impacted loan scheme

Bank of Ireland is now accepting applications for the Brexit Impact Loan Scheme. This scheme is offered in conjunction with the Strategic Banking Corporation of Ireland ("SBCI") and is focused on supporting eligible Irish businesses, including primary producers/farmers, to fund investment in their enterprise. The scheme aims to address the impact of COVID-19 on enterprises that have also been grappling with changed market conditions linked to Brexit. Further information on the scheme can be accessed at this link:

Brexit Impact Loan Scheme | Bank of Ireland

Supporting your business

Our Sectors team are recognised leaders within their respective areas and passionate about the development of a vibrant Irish business eco-system. Please feel free to contact any member of the Sectors team in respect of this month's update, the issues outlined above or any specific element within an individual sector - all of our contact details are contained herein.

Season's Greetings

We would like to take this opportunity to thank all our valued customers and their advisors for your engagement during 2021 and to wish you all a peaceful, safe Christmas and every success for 2022.

Agriculture Sector Update

Agriculture Sector Update
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Surging input prices may reduce farm margins in 2022

It is expected that margins will reduce across all farm enterprises next year according to farm accountancy firm IFAC as a result of the unprecedented rise in fertiliser, feed and diesel prices. While agri commodities and farm gate prices remain at near record highs, it is anticipated that these lifts will be eroded by the rising cost of inputs. Farmers will come into 2022 in a strong position with farm margins and incomes up on 2020 as a result of good weather, strong farm gate prices and low costs.[1]

Fertiliser prices continue to soar

Fertiliser prices continue their upward trajectory and continue to surge to record highs. Uncertainty around global energy supply, particularly natural gas (which accounts for up to 80% of nitrogen production costs) has driven the cost of production to levels where some manufacturers across Europe have shut down production. Furthermore, Russia, one of the largest producers in the world has imposed an export quota on nitrogen fertiliser for a period of six months from December 1. Combined, this has left global supply of nitrogen particularly tight. Meanwhile demand remains high as the prices from many agri commodities touch near decade highs.

As the market begins in Ireland, it is understood that importers have been unable to source the usual levels of stock. It is expected that additional supplies will be purchased over the coming weeks however there is a fear that there may be tightness in supply in Q1 2022. Given the current energy price outlook and supply situation, Irish fertiliser prices look firm until the end of March or April 2022.

Prices are now being quoted at farm level for year-end delivery. CAN is quoted at over €600/t, Urea at almost €900/t and compounds at over €800/t- all prices that have more than doubled since late summer. It is expected that overall usage could be back 20-25% nationally.

Forward grain prices provide solid base for Harvest 2022

It is expected that winter cereal area will be up between 5 and 10% in Ireland for harvest 2022 as a result of the good harvesting conditions for potatoes which allowed winter cereals to be planted. Boortmalt, the main buyer of malting barley in Ireland, has offered grain growers a record forward price of €250/t (€50/t more than the forward price last January) for harvest 2022. Growers can sell up to 20% of their tonnage for 2022. This will be attractive to growers given the record prices being quoted for fertilizers. Meanwhile the price of dried wheat has touched off €300/t while prices for next November are also strong at €250/t, with barley around €10/t under that. New crop Oilseed rape prices are currently indicating a harvest price of €520/t.

Dairy drives on but COVID-19 uncertainty

Global dairy commodities continue their strong performance with the New Zealand Global Dairy Trade (GDT) index up almost 10% over the last six weeks as a result of strong demand and weaker supply (particularly from New Zealand). Given the recent surge in Covid cases globally, potential future lockdowns may reduce food service demand and therefore dairy demand. Locally, most dairy processors increased base milk prices for October by 1c/l to c.37-38c/l incl. VAT. Kerry also announced a new fixed milk scheme for 2022 to suppliers offering a base price of 38.5c/L (incl. VAT).[2]

Beef demand up and prices stable

Beef prices are currently in the range €4.20/kg to €4.35/kg. The Christmas demand for beef is now in full swing with many factories actively purchasing. Global demand remains tight however there are concerns over the impact that the Chinese ban on Brazilian beef could have on global beef markets. China banned Brazilian beef following the detection of atypical BSE. It the ban continues, Brazil will need to find alternative markets but the impact may be limited.

Lamb prices ahead of 2020

Lamb prices continue at record levels for this time of year with prices €30-€37 above 2020 levels. Lambs are making in the range €6.90-€7.30/kg. The rise is a result of high demand in export markets and lower supply coming from New Zealand into the EU and UK.

[1] IFAC Farm survey November 2021
[2] New Zealand Dairy Index November 2021/Kerry Group press release

Food & Drink Sector Update

Food & Drink Sector Update
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Trade Figures

Export figures for the sector released for September suggest a recovery relative to pre-COVID-19 numbers with a 3% increase in Jan-September 2021 export sales of Food & Drink[3] compared to the same period in 2020 and a 1% increase compared to the same period in 2019. Beef and whiskey have been the key drivers of recovery, helping to compensate for declines in milk powder and infant formula. At the same time food & drink imports have fallen by over 7%, suggesting greater levels of import substitution. This tallies with a fall of over 40% in imports of food from Great Britain.

Brexit

Negotiations are ongoing between the EU and UK on the practical operation of the Northern Irish (NI) protocol, in particular as it relates to the application of checks on goods from the UK entering into the single market for goods in NI. The EU offered to reduce the level of checks provided the goods were clearly labelled as for consumption in NI, however key food retailers such as Marks & Spencer[4] have suggested that this is unlikely to resolve the additional administrative burden caused by Brexit for their stores in NI and as a result are likely to increase sourcing from the island of Ireland. Meanwhile, the UK has published an update on its border[5] operating model for entry of goods into the UK from the EU. The revised timetable suggests that exporters will need to be ready to provide 24 hours' notice in the form of a pre-boarding notification for shipment of products necessitating sanitary or phyto sanitary checks (typically foods of animal origin or high risk products not of animal origin) by January but that physical checks will not take place now until July 2022 at the earliest, depending on the type of product.

Commodity Increases

Commodity price increases continue to cause margin erosion for the industry. Increases continued for September on key commodities such as wheat and sugar. The Food & Agricultural Association of the UN's commodity basket showed a 31% increase in October compared to the same period in 2021. Their recently published outlook[6] suggests that going into the 2022 season wheat stores are at their lowest level in 20 years relative to sales. The ongoing increases in oil prices are also resulting in increased use of biofuels putting further strain on available quantities. A Food Drink Ireland survey from early November suggested that 42% of member companies had experienced commodity increases of 20% or more on raw materials[7]. CSO price figures for October showed that overall Food & Non-Alcoholic Drink prices had increased by 0.8% year on year suggesting that some level of price increases are still largely being absorbed in the food chain rather than being transferred to the consumer.

Sustainability

A strong focus remains on the role of the food industry in the fight against climate change. Latest proposals from the EU seek to shine a light on the link between European commodity consumption and increasing deforestation in developing countries. The proposal focuses on six "at risk" commodities – soy, beef, palm oil, wood, cocoa and coffee. Any company looking to import these product (or key derivative products) into the EU would have to perform enhanced due-diligence.

[3] Figures are based on CSO figures for January to September 2021
[4] **https://www.ft.com/content/59fd4116-5b32-48bb-b9e6-cfa35bbf0d85**
[5] **https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1034308/20211117_November_BordersOPModel_Final.pdf**
[6] FAO. 2021. *Food Outlook – Biannual Report on Global Food Markets*. Food Outlook, November 2021. Rome.
[7] **https://www.ibec.ie/connect-and-learn/media/2021/11/18/inflationary-pressures-worsening-in-irish-food-and-drink-sector**

Hospitality Sector Update

Hospitality Sector Update
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Encouraging performance to date

Notwithstanding the many challenges presented by the COVID-19 pandemic and the threat posed by the fourth wave, businesses across the hospitality sector have reported encouraging trade figures over the last five months since the sector reopened. Regional locations continue to outperform Dublin, but demand has been steadily climbing with occupancy of c60% reported for Dublin for the month of October (Ref: Accommodation sales KPIs table). Although no specific data is available, a large number of businesses in the hospitality and tourism industry continue to avail of the governments EWSS scheme which has so far supported strong profit levels and associated cash flows. Overseas demand has been slowly returning to various locations, and the sustained increase in air capacity (Global capacity has climbed up to 70% of 2019 levels[8]) is expected to support growth into the future; many businesses already reporting material numbers of American visitors in particular *(The CSO is yet to resume the publishing of data on international travel).*

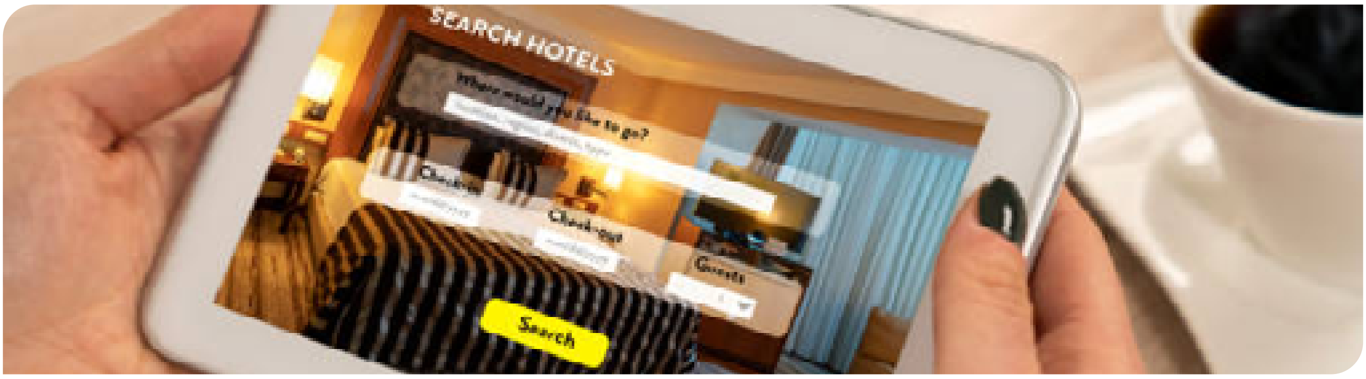
Christmas Cancellations

The Taoiseach's announcement[10] on Tuesday Nov 16th was followed by large scale cancellations of hotel, bar and restaurant bookings for events taking place in November and December. Corporate bookings in particular took a tumble as the government advised to work from home unless 'absolutely necessary'. Bars and restaurants were also told to close at midnight, reverting to restrictions that had been in place until October 22nd when 11:30 closing was mandated. At the time of this report NPHET is not recommending any further restrictions.

Market Activity

Hotels

- Cliste Hospitality have been appointed to operate a brand new 163 bedroom hotel located in the corner of the North Circular Road and Dorset Street, this is the first Dublin hotel for the group that manages nine others around the country.



Accommodation sales KPIs[9]

Accommodation KPIs 2019-2021	Oct									YTD Oct								
	Occ %			AHR €			RevPAR €			Occ %			AHR €			RevPAR €		
Location	**2019**	**2020**	**2021**	**2019**	**2020**	**2021**	**2019**	**2020**	**2021**	**2019**	**2020**	**2021**	**2019**	**2020**	**2021**	**2019**	**2020**	**2021**
Dublin All (STR)	85.4	18.8	59.4	141.9	83.3	119.2	121.2	15.6	70.8	84.3	32.6	34.4	143.2	103.9	108.3	120.8	33.9	37.2
Dublin city centre (STR)	87.2	12.4	55.5	166.3	106.0	138.5	145.0	13.1	76.8	85.4	28.7	28.9	168.9	125.4	128.7	144.2	36.0	37.1
Galway (Trending)	80.1	30.6	68.8	102.1	77.8	125.7	81.8	23.8	86.5	78.7	55.1	57.3	113.5	101.1	132.8	89.3	55.7	76.0
Cork (Trending)	84.3	25.8	64.2	113.4	89.6	128.0	95.5	23.1	82.1	81.6	50.0	50.7	111.7	101.0	130.3	91.1	50.5	66.0
Cork (STR)	82.5	24.8	64.8	113.7	91.0	131.3	93.8	22.6	85.1	79.7	41.9	47.1	112.6	103.2	126.4	89.8	43.3	59.5
Limerick (Trending)	81.2	29.6	64.6	86.7	67.1	96.8	70.4	19.8	62.5	75.5	43.8	38.1	87.9	74.1	90.8	66.3	32.4	34.5
Kilkenny (STR)		14.6	63.6		104.0	149.7		15.1	95.3		41.0	43.7		120.5	162.1		49.4	70.8
Regional (Trending)	82.1	30.8	66.8	96.3	76.8	111.8	79.0	23.7	74.7	79.3	50.6	51.1	100.1	88.0	111.6	79.4	44.5	57.0

[8] https://www.oag.com/blog-reports-and-webinars as cited (Hotel Performance Review October 2021, Fáilte Ireland)
[9] CoStar STR & Trending.ie October 2021 data
[10] https://www.rte.ie/news/2021/1116/1260160-coronavirus-ireland/

- A number of high profile hotel assets are expected to go sale agreed in the coming month or two including Killashee House in Kildare, Clonmel Park Hotel in Tipperary and the Clifton Court Hotel in Dublin.
- A new 97 bedroom Premier Inn has opened in South Great Georges street in Dublin
- US hotel group Standard Hotels announced plans to open a property in Dublin Arch (Connolly Quarter)

Pubs

- The Three Tun Tavern which was put on the market guiding €2.5m by the Wetherspoon group has gone sale agreed[11] as has The Eagle House in Dundrum which was on the market for €1.35m[12]

Restaurants

- Asador owner Shane Mitchell has opened a brand new pub-restaurant in Dawson Street called Lennan's Yard.

Budgeting for 2022

Following strong performance this summer businesses in the sector are optimistic about the year ahead with many expecting a return or even an improvement on pre-pandemic trading. Some key points to consider when budgeting for the year ahead:

- Sizeable (hopefully temporary) increase expected in utility expenses. A number of suppliers of products and services have been adjusting their prices accordingly including linen suppliers.
- Wages: Minimum wage increase to €10.50 and 3 days mandatory sick pay per annum will be in place in 2022. Pension 'auto-enrolment' is not expected until 2023 when mandatory sick pay will increase to 5 days.
- Return to 'normal' booking patterns likely to extend lead in times for business which may impact the competitive landscape and erode the strong room rates reported for 2021.
- Interest will be applied by Revenue on warehoused debt at 3% starting January 2023[13] so it should be considered when planning cash flows for the end of the coming year.
- The sustainability agenda continues to gather momentum, a number of operators are already adapting their premises and adjusting their operating models in advance of tighter regulations on carbon emissions. Early operational steps can be implemented in the coming year to support a gradual transition.

[11] https://www.daft.ie/commercial-property-for-sale/the-three-tun-tavern-blackrock-co-dublin/3529353
[12] https://lisney.com/property/commercial/licensed-leisure/
[13] https://www.revenue.ie/en/corporate/communications/documents/debt-warehousing-reduced-interest-measures.pdf

Manufacturing Sector Update

Manufacturing Sector Update
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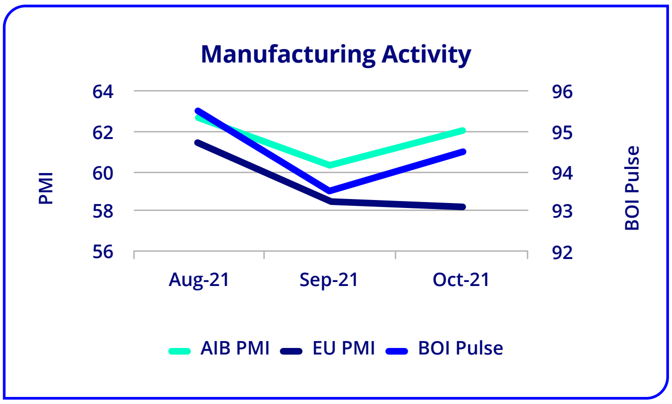
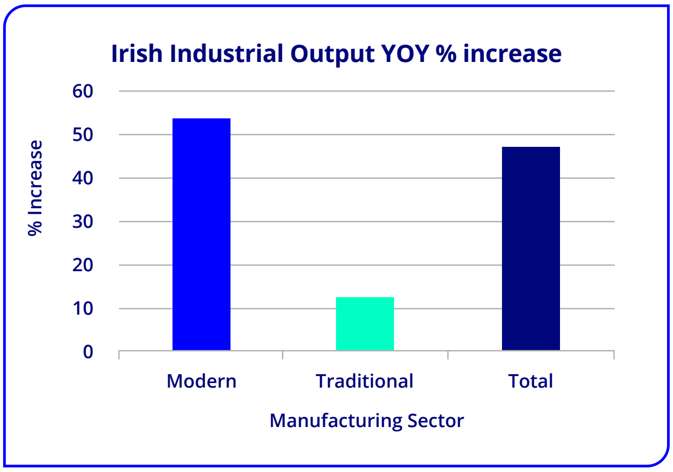
Irish Manufacturing expansion rebounds but EU expansion slows further



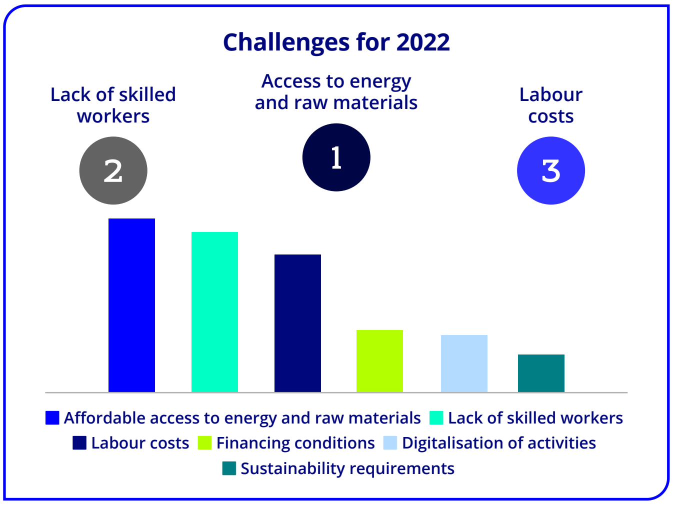
Irish Manufacturing indicators for October, while rebounding from recent months downward trends, continue to be negatively impacted by supply chain chaos. Bank of Ireland Industry Pulse[14] for October was 94.5 up from 93.5 in September while AIB Irish Manufacturing Purchasing Manager's index (PMI)[15] for the manufacturing sector came in at 62.1 up from 60.3 in September. Both indicators reflect continued robust expansion with acceleration of both orders intake and production output. By contrast EU PMI data lost further momentum registering 58.3 in October marginally down from 58.6 in September[16].

Massive supply chain disruption not witnessed for decades continues to drive delays, lead times, shortages and inputs pricing all in the wrong direction. The reality is that as COVID-19 cases are now rising again, manufacturing will be confronted with renewed higher sick leave, and supply chain pain is likely to worsen in the short term before green shoots of improvement start to appear. As the supply of multiple inputs continue to lag demand, inflation continues its upward trend standing at 5.1% in October, its highest level since 2007. EU inflation stood at 4.1% with energy being the highest contributor[17]. Previous forecasts have been significantly understated and inflation is looking less and less transitionary as has been previously argued by many commentators.

In line with Ireland's continued strong manufacturing performance, Irish manufacturing production data released on November 8th showed a 2.5% expansion in Q3 2021 versus Q2 and a significant annual increase in September of 46.9%, split 53.6% modern and 12.1% traditional. This will no doubt translate into a very significant contribution to our 2021 GDP growth.[18]



Looking ahead to 2022, Eurochambres the association of European Chambers of Commerce and Industry published its survey EES2022 of 52,000 companies and while general optimism for 2022 prevails, the top 3 challenges remain around supply chain, energy and labour.[19]



[14] https://www.bankofirelandeconomicpulse.com/
[15] https://aib.ie/fxcentre/resource-centre/aib-ireland-pmis
[16] https://www.markiteconomics.com/Public/Home/PressRelease/d1e6b09a9eea4993bb787845fb55233f
[17] https://www.rte.ie/news/business/2021/1117/1260458-euro-zone-inflation/
[18] https://www.cso.ie/en/releasesandpublications/er/ipt/industrialproductionandturnoverseptember2021/
[19] https://www.eurochambres.eu/

Climate Change Bill Targets and its impact for Manufacturing

Sectoral budgets and targets for carbon emissions were published by the Irish Government on 3rd November. Manufacturing accounts for 9 $MtCO_2e$ GHG from a total of 68.3. The target is to reduce this to between 4 and 5 for the sector by 2030.[20] This will come about through a mix of renewable energy sources, near shoring of supply chains and green technology within process and product. The key first step for manufacturing enterprises is to determine their carbon footprint baseline and one which is grounded in science based targets (SBT). From this starting point, enterprises can determine what and how the carbon reductions will be achieved to reduce footprint by 51% or more by 2030. The transition to a lower carbon model must become part of the DNA of each business and be given the same priority as financial performance. I note from the "Challenges for 2022" graphic above that sustainability is bottom of the list of challenges listed by Eurochambres members which is a concern. This may be due to the fact that enormous bandwidth is taken up dealing with the supply chain at present. While this may be the case, it is crucial that sustainability is embraced as a lifetime imperative and that many supply chain risks may in fact be mitigated through a green lens of near shoring.

[20] https://www.gov.ie/en/campaigns/2f87c-climate-action-plan-2021/

Retail Sector Update

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Strong performance in Grocery continues

Grocery retailers continue to deliver a strong performance with the latest Kantar data outlining a sales increase of 9% when compared with the equivalent period in 2019. Given the continuing presence of the COVID-19 virus, health remains at the forefront of people's minds with shoppers spending 56% and 36% more on flu-treatments and cough lozenges respectively compared to the same period in 2020.[21]

The strong performance of the sector is demonstrated in the Musgrave group financial performance for 2020 with group sales increasing by c€500m to €4.5 billion and profit before tax of €98m being delivered. Separate to its group sales, the results showed that its retailers in Ireland, Northern Ireland and Spain (which in the majority are independently owned Supervalu and Centra stores), delivered sales of €6.1 billion, an increase of c€700m on the 2019 performance.[22]

Showcasing the brand through investment

As the ever more discerning Irish consumer seeks excellence in store standards, Irish grocery and convenience retailers recognise that investment is required to retain and attract footfall to their business. This investment includes the delivery of next generation, best in class stores that showcase new initiatives and offerings from individual brands. In recent months Lidl, Aldi, Tesco, Dunnes, Supervalu and Donnybrook Fair have all announced new store developments/openings nationwide.[23]

Recognising leaders in the grocery sector

As lead sponsors of the Shelflife National Grocery management awards, Bank of Ireland were delighted to recognise the outstanding contribution from personnel in the grocery sector during the pandemic. Karl Fitzgerald from Applegreen Rathcoole was announced as the Supreme Champion for 2021.[24]

Transition to Green

The focus on environmental sustainability continues across the sector with robust carbon emission targets being set by leading retailers. The range of projects or initiatives that retail businesses can undertake are varied and diverse with many having already completed 'green' projects or have it as a constant within their capital expenditure or process improvement programmes. The following steps as examples of actions that retail businesses could pursue as they transition to a more environmentally friendly operating model:

- Lighting: LED, sensor lighting in store rooms etc.
- Refrigeration: installation of upgraded efficient equipment.
- Heating: Appropriate thermostats & zoned heating functionality. Installation of solar panels etc.
- Reduction of Plastic usage: retrofit fruit & veg, bakery, butcher display units, packaging & overall work practices.
- Installation of electronic price display shelving - reduce paper usage & device run on renewable energy.
- Installation of e-charging units in car parks.
- Delivery Fleet: purchase/leasing of energy efficient vehicles
- Technology: Bespoke software that facilities system improvements/efficiencies re supply-chain management, product sourcing

[21] Kantar Irish grocery market share – 15/11/21
[22] Sunday Independent – 07/11/2021
[23] Various articles – Shelflife magazine/Checkout magazine – Oct/Nov 2021
[24] Shelflife magazine – 28/10/2021

Technology, Media and Telecoms (TMT) Sector Update

Technology, Media and Telecoms (TMT) Sector Update
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Europol publishes its latest assessment on evolving threats and key developments relating to cybercrime

The Internet Organised Crime Threat Assessment (IOCTA) 2021 was published recently, combining contributions from both European law enforcement and private sector partners relating to evolving threats from cybercrime over the previous twelve months. Some of the key findings of the report refers to how **ransomware affiliate programs**, where a ransomware operator provides malware (malicious software that is created to steal data, harm a device, or corrupt files) code to third parties, each affiliate is provided a version of the code with unique identification embedded. For every victim that pays a ransom, the affiliate gets a share of the take with the ransomware operator. Many of these incidents have focused on supply-chain attacks to compromise the networks of large corporations and public institutions.

The report also refers to **"Crime as a Service"**, where fraudsters are making available exploit kits and other services to other criminals with low technical skills to enable them to embark on further perpetration of these crimes. To this end, European law enforcement agencies have reported an increase in **"Malware as a Service"** offerings, where the various threat actors all share profits with partners once they execute their crime either through a breaching a network or deploying the malware, which is effectively sponsoring a growth in this activity. **Phishing and social engineering** remain the main vectors for payment fraud and are increasing in both volume and sophistication.

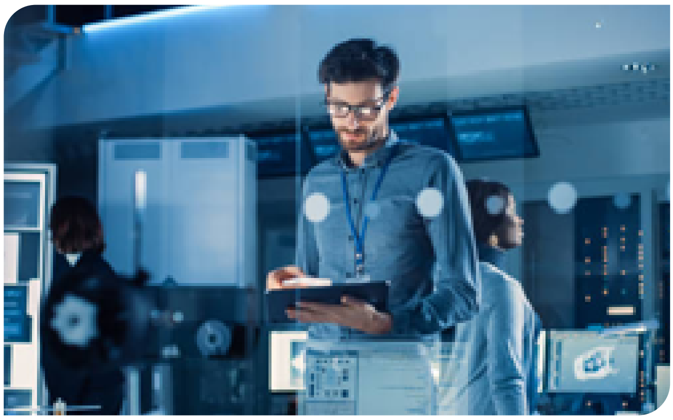
The growth in sophistication of the various threats is also evidenced by Europol providing support to high-profile cross-border operations against cyber threats that have increased from 57 operations in 2013 to 430 in 2020.

Venture capital funding up 19% in Q3 2021

Some welcome news for the start-up community as funding continues to recover over the third quarter. The Irish Venture Capital Association (IVCA) recently published their latest VenturePulse survey which shows that venture capital funding into Irish SMEs increased by 19% to €231m, compared to €193m for the same period last year. Funding for the first nine months of the year, to the end of September was also up to €872m 11% from €786m last year. The survey also shows a notable increase in seed funding; the fuel that powers most start-ups, rose by 63% to €31m, up from €19m. Based on these numbers, funding across the board has recovered significantly from last year. Year to date, Life Sciences accounted for 38% (€329m) of the total funding during the period, followed by software 24% (€207m) and fintech at 11% (€96m).

Enterprise Ireland Digitalisation Voucher

Time is running out for Enterprise Ireland clients to apply for a Digitalisation voucher as the scheme ends in December. The voucher covers either technical or advisory services related to the operations of a business from an approved service provider up to a value of €9,000. Once commenced, it is expected that the support can be spread out over a maximum of 6 weeks. The project must include one or more of the following: internal process optimisation, enhancing customer digital experience or assist in becoming a data-driven business. The expected output at the end of the engagement will be the development of a plan and strategy to tackle the issues identified within the business. **Note:** This scheme is open to companies that operate in the manufacturing or internationally traded services sectors.



Technology Ireland Awards 2021

Technology Ireland recently celebrated the 29th year of their awards. Global Shares, which is headquartered in Clonakilty, Co Cork was named Technology Ireland Company of the Year. Global Shares manages employee stock plans for some of the world's biggest companies. It has sales in over 100 countries and based on its current growth level, could well become another member of Ireland's growing list of 'unicorns'.

Sources: Europol (2021), Internet Organised Crime Threat Assessment (IOCTA) 2021, Publications Office of the European Union, Luxembourg. IVCA. Technology Ireland. Enterprise Ireland.

Motor Sector Update

Motor Sector Update
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In the month of October, new passenger car (PC) sales increased 15.2% year-on-year (y-o-y) to 2,646 units, Light Commercial Vehicle (LCV) sales declined 20.4% y-o-y to 1,315 units and used imports declined 52.8% y-o-y to 4,401 units.

PC Registrations YTD

In the first 10 months, new passenger car registrations increased 18.9% year on year (to 103,253 units). Toyota holds the #1 position with 12.3% market share, followed by Volkswagen with 12.1% in #2, Hyundai with 10.4% in #3, Skoda with 8.6% in #4 and Ford with 7.1% in #5.

LCV Registrations YTD

In the first 10 months, new light commercial vehicle registrations increased 35.2% year on year (to 27,849 units). Ford holds the #1 position with 24.2% market share, followed by Renault with 12.7% in #2, Volkswagen with 11.5% in #3, Peugeot with 10.7% in #4 and Toyota with 7.7% in #5.

Used Imports

Registrations of used imports declined 5.1% year on year (to 55,538 units) in the first 10 months of 2021.

Passenger Car Sales	Light Commercial Vehicles	Used Imported Cars
Oct 2021 YTD **+18.9%**	Oct 2021 YTD **+35.2%**	Oct 2021 YTD **-5.1%**

Provincial Developments

October 2021 YTD

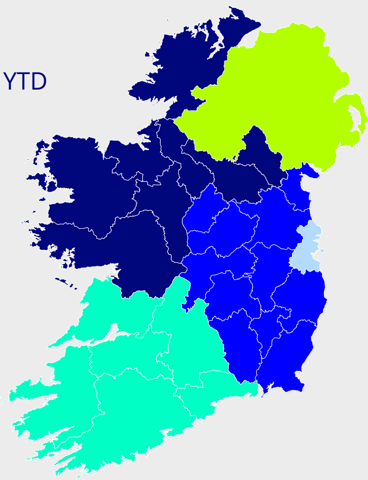
National Position
New (N) +18.9% YTD
Used Imports (UI) -5.1% YTD

Dublin
N +29.3% YTD
UI +4.3% YTD

Rest of Leinster
N +13.6% YTD
UI -9.9% YTD

Connacht/Ulster*
N +12.6% YTD
UI -8.7% YTD

Munster
N +11.5% YTD
UI -11.1% YTD



*Ulster Border counties

Budget 2022

In October, the government announced Budget 2022 with tax changes that will impact the motor sector and Irish consumers next year.

On 1st January 2021, a new vehicle registration tax (VRT) system came into effect for new cars and used imports. The overhauled VRT system introduced a new 20-band tiered structure, linked to CO2 emission values, with rates ranging from 7% to 37%.

The new system will be in operation for just one year before further amendments will take effect from 1st January 2022. From this date, VRT rates will increase for bands 9 to 20. This impacts cars with a CO2 value of 111g/km or higher with VRT increases of between 1 and 4%.

Using 2021 sales and associated CO2 values as a benchmark, this potentially affects 38% of new cars next year. We can break this down as follows;

CO_2 Value	2021 Share of Sales	VRT Increase
111-130 g/km	33%	+1%
>131 g/km	5%	+2%-4%*

VRT rates for bands 1-8 are unchanged (i.e. cars with a CO2 value of 0g/km – 110 g/km).

Sector stakeholders argue that increasing car prices will slow the process of replacing an aging fleet with lower emission cars. The sector remains concerned having suffered tax increases two years in a row, during a period challenged by the impact of the pandemic and Brexit.

EV VRT Relief

Cars account for about 10% of Greenhouse Gas emissions in Ireland with c. 2.2 million cars on Irish roads. Although EV sales are rising annually, the electrification of the fleet will be a marathon, not a sprint and consumer incentives are crucial to maintain that momentum.

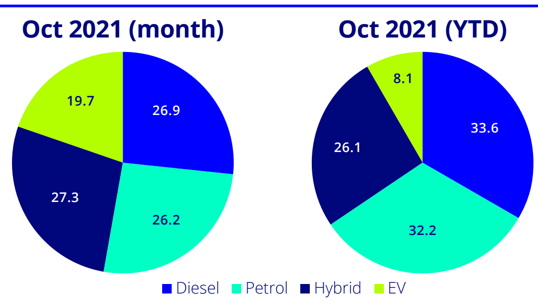
Encouragingly, Budget 2022 extended VRT relief of up to €5,000 for battery electric vehicles (BEV's) for an additional two years to the end of 2023. The extension of VRT relief for electric cars is a good decision and will encourage increased adoption of BEV's in the years ahead.

Additionally, the 0% Benefit-In-Kind (BIK) rate for BEV's has also been extended to 2025 but with tapering values.

Note - following the Budget, the government announced the discontinuation of VRT relief for plug-in hybrid vehicles (PHEV's) from 1st January 2022. As PHEV stock has already been ordered for sale in 2022, the SIMI has engaged with government to seek a temporary extension to ensure these cars are not unfairly disadvantaged next year.

Fuel Type Developments

New Passenger Cars



Supporting our Customers

Bank of Ireland Finance (BIF) supports 14 motor franchises representing c. 43% of annual new car sales and we remain committed to our customers.

Bank of Ireland and the Irish motor sector is open for business.

Source: Society of Irish Motor Industry (SIMI). Data as at 31/10/2021

Bank of Ireland