Bank of Ireland Group plc (the "Group")

Interim Management Statement – Q3 2024 update

30 October 2024

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

"The successful execution of the Group's strategy continues to deliver very strong levels of business performance, profitability, and capital generation.

"The loan book increased by 4% while Wealth Assets Under Management grew by 15%. We continue to invest for our customers, including simpler ways of banking and enhanced fraud prevention and detection.

"The Group's high level of organic capital generation supports loan book growth and technology investment including resilience and digital acceleration. It also supports the Group's distribution strategy of a progressive dividend per share and the return of surplus capital. We recently completed a €520m share buyback programme and the interim ordinary dividend of 35 cents per share will be paid on 7 November.

"As we approach the end of the second year of our three-year strategic cycle, our highly capital generative and differentiated business model, operating in structurally attractive and growing markets, positions us well to continue to support our customers, invest in our business and deliver attractive returns for our shareholders."

Key highlights

- Robust capital position and generation; fully loaded CET1 ratio of 15.6% supported by net organic capital generation of 250 basis points in the first 9 months of 2024
- Guidance for FY24, provided with Interim Results, is unchanged
- Supportive Irish macroeconomic conditions characterised by continued robust fiscal and labour market conditions combined with growth in customer activity and house prices
- Net interest income and business income performing in-line with expectations YTD
- Net lending €2.8 billion higher vs end-December 2023 supported by €2.1 billion growth in Ireland
- Strong Wealth and Insurance performance; AuM growth of €6.7 billion to €52.8 billion YTD
- Operating expenses performing in-line with expectations
- Improved asset quality with the economic environment and lower interest rates supportive; non-performing exposures (NPE) ratio of 2.7% versus 3.1% end-December 2023
- 28% increase in Sustainable Finance lending y/y to c.€13.5 billion; on track to deliver c.€15 billion target by 2025

Macroeconomic developments

Favourable domestic economic conditions and outlook are supportive of our Irish franchises. The number of people at work is at a record high of 2.7 million and is growing, and the unemployment rate of 4.3% in September has fallen by 20 basis points since the beginning of the year. The Irish Sovereign's robust fiscal position is also a positive factor, permitting an expansionary budget earlier this month. Inflation has cooled sharply in Ireland, with the Consumer Price Index increasing at an annual rate of 0.7% in September, its slowest pace of growth since March 2021. Trends in the Irish housing market remain constructive, with positive house price dynamics and demand well underpinned by demographics. On the supply side, completions are projected to improve to a 16 year high of c.33k this year, supporting credit formation. Market expectations for interest rates have evolved in the third quarter given trends in Eurozone inflation, with average 2025 Eurozone interest rates currently expected to be lower than 2024 levels, although expectations remain volatile[1].

Income
Net interest income was 3% lower in the nine months to end-September and 1% lower on a like-for-like basis[2], with performance in-line with our expectations. This performance reflects the evolving interest rate environment, growth in lending income particularly in Ireland, higher funding costs (market and customer) and continued commercial pricing discipline. Net interest income guidance for FY24 of c.€3.55 billion is unchanged notwithstanding modestly lower interest rate expectations[3].

Business income, including share of associates and JVs, is performing in-line with our expectations. Positive momentum in our Wealth and Insurance businesses, which accounts for close to 50% of total Group business income, is the key driver of this, with Davy in particular performing strongly. In the third quarter, our wealth businesses delivered continued strong levels of growth with total AuM of €52.8 billion at end-September, resulting in growth in the quarter of 4% (+€1.9 billion). This third quarter performance was supported by net inflows of €0.7 billion, the majority of which was via Davy. This brings annualised net inflows[4] in the nine months to end-September to 8% across our Wealth and Insurance businesses. Business income guidance, of mid-single digit percent growth vs FY23, is unchanged.

Costs
Operating expenses have progressed in-line with expectations (6% higher in the 9 months to end-September) and our FY24 guidance is unchanged. Cost to income ratio was 45% in the first nine months of 2024. The Group continues to maintain tight control over its cost base while absorbing inflation and continuing to invest in strategic growth and simplification opportunities.

Balance Sheet
Customer loan balances were €82.5 billion at end-September 2024 vs €79.7 billion at end-December 2023. On a constant currency basis, the loan book increased by €2 billion, supported by growth in the Group's go-forward lending portfolios of €2.5 billion equivalent to annualised growth of c.4%, partially offset by €0.5 billion reduction in portfolios we are exiting. Of the €2 billion increase, €2.1 billion was in Irish lending portfolios with a €0.1 billion reduction in international lending portfolios.

By division, trends in organic net lending in the year to date were as follows:
- Retail Ireland net lending increased by €1.4 billion, supported by continued growth in mortgage lending. Our market share of new lending was 41% for the first nine months of the year. We continue to support the transition to a more sustainable economy with A and B rated BER properties accounting for c.50% of new mortgage lending in the first nine months of 2024.
- Corporate and Commercial net lending increased by €0.4 billion primarily reflecting growth in business banking and corporate lending in Ireland of €0.5 billion.
- Retail UK net lending was €0.1 billion higher, primarily reflecting growth in mortgage lending largely offset by a €0.4 billion reduction in our UK Personal Loans portfolio which the Group had previously guided it was exiting. In October 2024, we agreed the sale of our performing UK Personal Loans portfolio of c.€0.8 billion (RWAs of c.€0.6 billion). The Group notes the recent Court of Appeal ruling in respect of historic motor finance lending undertaken by certain lenders in the UK and the intention of those lenders to appeal the decisions to the Supreme Court. The Group will continue to closely monitor developments. The Group's UK motor finance business has a c.2% market share of new lending, with a loan book of c.€3bn at end Q3.

2024 YTD net lending (by division)	**Sept-24 (EUR billion)**	**June-24 (EUR billion)**
Retail Ireland	1.4	0.7
Retail UK	0.1	0.1
(of which UK Personal Loans)	*(0.4)*	*(0.3)*
Corporate & Commercial	0.4	0.2
(of which GB Corporate)	*(0.1)*	-

Our liquidity profile remains strong, supported by our retail franchise in Ireland. Customer deposits were €100.7 billion at end-September 2024, flat on end-June 2024 and €0.5 billion higher than end-2023. This increase in 2024 reflects growth in Retail Ireland and Retail UK, partially offset by lower Corporate and Commercial volumes. Migration by customers into term/other products in Ireland was €1.3 billion in Q3 2024.

Deposit trends	**Sept-24 (EUR billion)**	**June-24 (EUR billion)**	**Dec-23 (EUR billion)**
Total customer balances	100.7	100.8	100.2
Everyday Banking	80.2	79.7	80.1
(of which term/other)	*7.8*	*6.5*	*5.2*
UK deposits (EUR)	14.7	14.6	13.6
UK deposits (Stg£ equivalent)	*12.3*	*12.3*	*11.8*
Corporate deposits	5.7	6.5	6.5

The Group's liquid assets of €43.7 billion and wholesale funding of €12 billion are largely unchanged since end-December 2023. On subordinated liabilities, the Group also successfully issued €0.5 billion Tier 2 and refinanced €0.6bn of AT1 securities in 2024, the latter during Q3.

At end-September 2024, the Group's liquidity coverage ratio was 203% (end-December 2023: 196%), loan to deposit ratio was 81% (end-December 2023: 80%), and net stable funding ratio 153% (end-December 2023: 157%).

Asset Quality

The Group's asset quality further improved in Q3 2024 and remains strong, helped by the supportive Irish backdrop. The Group's NPE ratio was 2.7% of gross customer loans at September 2024 (end-June 2024 2.9%, end-December 2023 NPE ratio: 3.1%). The Group continues to focus on achieving further asset quality improvements through a combination of organic and inorganic activity. Macroeconomic scenarios impacting credit impairment will, as usual, be refreshed to reflect updated market forecasts and captured as part of the Group's full-year credit impairment process.

Capital Position

The Group's fully loaded CET1 ratio at end-September 2024 was 15.6% (15.4% end-June 2024). The Group's capital performance in Q3 reflects strong net organic capital generation of 80 basis points, partially offset by a 40% ordinary dividend accrual and investment in RWA.

The Group's regulatory CET1 and total capital ratios were 15.6% and 20.7% respectively.

RWAs at end-September 2024 of €53.6 billion (€52.2 billion end-June 2024) primarily reflect the increase in lending.

Sustainable Company

Q3 highlights include:

<u>Environmental</u>

- Sustainable lending was €13.5 billion at end September, a 28% increase year on year, with this €3bn yoy improvement driven by a €2.4 billion increase in green mortgages and €0.6 billion increase in other sustainable lending.
- A and B rated BER properties account for c.50% of new Irish mortgage lending year to date. This is supported by our new innovative 'EcoSaver Mortgage' product launched in April, incentivising improvements in the energy efficiency of our customers' homes.

Social

- At end-September, our housebuilding teams are funding the development of c.21,000 homes (including 9,000 social and affordable homes), with €500m of new funding advanced in the year to date to support the development of an estimated 3,500 new homes.
- Bank of Ireland continues to be the #1 bank recognised for Financial Wellbeing among Irish consumers and continues to advocate for better fraud protections for consumers and businesses. To the end of 2025, Bank of Ireland will spend €50 million to protect our customers from fraud.

Governance

- Appointment of Akshaya Bhargava as Chair and Governor, following an international search process. Akshaya will take up the position on 1 January 2025.
- 45% female senior appointments to management and leadership positions year to date with an ongoing commitment to achieve a 50:50 ratio.
- Improved or maintained ESG ratings in 2024 across S&P and MSCI.

2024 guidance unchanged

NII is expected to be c.€3.55 billion. Business income (including share of associates and JVs) is expected to be mid-single digit percent higher in 2024 versus 2023.

Operating expenses are expected to be 5-6% higher than 2023. Levies and regulatory charges are expected to be €125-130 million and non-core items to be similar to 2023 levels.

Subject to no material change in economic conditions or outlook, we expect the impairment charge to be c.20 basis points.

We expect 2024 RoTE to be ahead of the 2023 level of 17.3%.

We expect strong capital generation, with 310 to 320 basis points of net organic capital generation for the full year. The Group expects distributions to comprise a combination of ordinary dividends, with a progressive dividend per share on earnings, and share buybacks with an objective to distribute to our CET1 guidance of >14% (subject to necessary approvals). We expect Basel IV implementation in 2025 to reduce RWAs by up to 5%.

[1] *Average 2025 Eurozone interest rates currently expected to be c.150 basis points lower than 2024 levels.*
[2] *Excluding UK Personal Loans, which were moved to non-core in H2 2023.*
[3] *Based on market expectations for interest rates at end-2024: ECB deposit rate of 3.00%, BOE base rate of 4.50%, Fed Funds rate of 4.5%. These expectations compare to the following at our Interim Results announcement: ECB deposit rate of 3.25%, BOE base rate of 4.75%, Fed Funds rate of 5.00%.*
[4] *Net inflows in the first nine months of the year annualised over opening AuM.*

Ends

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Forward Looking Statement

This announcement 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, 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, future share buybacks, 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, plans and objectives for future operations, and the continued impact of Russia's invasion of Ukraine and the Israeli-Palestinian conflict particularly on certain of the above issues and generally on the global and domestic economies. 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, those as set out in the 'Principal Risks and Uncertainties' section on page 26 of the Group's 2024 Interim Report and also the discussion of risk in the Risk Management Report in the Group's Annual Report for the year ended 31 December 2023.

Nothing in this announcement should be considered to be a forecast of future profitability, dividend forecast 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.