Bank of Ireland Group plc (the "Group")

Interim Management Statement – Q1 2022 update

27 April 2022

Comment: Francesca McDonagh, Bank of Ireland Group CEO:

"The Group has made a positive start to 2022 with income, costs and capital all performing in line with expectations. We continue to deliver on our strategic and customer priorities.

"Earlier this month, we commenced a €50m share buyback programme, our first in almost two decades, with c.€17m purchased as at 26 April 2022. In addition, the Department of Finance announced a further extension of its share trading plan, with the Irish State's shareholding in the Group now down to less than 5%. The ongoing sell-down is supporting positive outcomes for Irish taxpayers, the economy and the Group.

"Overall business momentum remains positive, but we are vigilant to the impact of higher inflation on customer sentiment arising from higher commodity prices and exacerbated by the unacceptable invasion of Ukraine. We have also taken a number of proactive steps to support the humanitarian response and stand ready to do more."

Key highlights for Q1 2022:

- Strong capital position; fully loaded CET1 capital ratio 16.3%; regulatory CET1 capital ratio 17.0%
- Net interest income in line with expectations
- Net lending of €0.4 billion in Retail Ireland and Corporate and Markets; €1.3 billion of Retail UK deleveraging in line with our strategy focused on value over volume
- Business income (including share of associates/JVs) growth in line with expectations, with Wealth and Insurance income up by c.10%
- Positive contribution from gains on bond sales, partially offset by negative impact from valuation and other items
- Continued strong cost discipline; net reduction of 1% in Q1 2022 vs prior year, in line with expectations
- Asset quality remains strong with modest loan losses in Q1 2022
- We continue to progress regulatory approvals on Davy and the KBC Ireland portfolios

Income

Net interest income in Q1 2022 is broadly stable when compared to the same period in 2021. The Group continues to maintain strong commercial pricing discipline with higher loan asset spreads in Q1 2022 compared to the same period in 2021. The Group's net interest margin was 1.75% in Q1 2022, with a c.15bp negative impact from the Group's participation in TLTRO, which is expected to unwind in June 2022.

Business income, including share of associates and JVs, is higher in Q1 2022, when compared to the same period in 2021. This performance is supported by growth in Retail Ireland, Wealth and Insurance, and Corporate and Markets income.

Additional gains on bond sales in the period are partially offset by a negative impact from valuation and other items.

Costs

The Group continues to maintain tight control over the cost base while absorbing cost inflation and continuing to invest. Operating expenses (excluding levies and regulatory charges) are 1% lower in Q1 2022 compared to the same period in 2021, in line with expectations. As planned, the Group is investing to proactively attract, and support the on-boarding of, customers from banks who are exiting the Irish market.

Balance Sheet

Customer loan volumes were lower at €75.2 billion at end-March 2022 vs €76.3 billion at end-December 2021. Net lending increased by €0.4 billion in Retail Ireland and Corporate and Markets in Q1 2022, offset by UK deleveraging of €1.3 billion and FX/other impacts of €0.2 billion.

We continue to strongly support the transition to a more sustainable economy with a significant increase in our green lending in Q1 2022 compared to the same period in 2021. ROI green mortgages accounted for 43% of new mortgage lending vs 27% in Q1 2021, and green business banking term new lending accounted for 11% of total business term new lending vs 6% in Q1 2021.

The Group's liquid assets of €49.8 billion and wholesale funding of €22.2 billion at end-March 2022 were largely unchanged since December 2021. Customer deposits were €91.3 billion at end-March 2022, €1.5 billion lower compared to December 2021, due to lower Retail UK deposits (€1.3bn) and Corporate and Markets deposits (€1.1bn), partially offset by continued growth in Retail Ireland deposits (€0.9bn).

Asset Quality

The Group experienced a modest net credit impairment charge in Q1 2022, in line with expectations. Macroeconomic scenarios impacting credit impairment will be refreshed to reflect updated market forecasts and captured as part of the Group's half-year credit impairment process.

The Group's non-performing exposures (NPE) decreased by €0.2 billion since December 2021 to €4.1 billion, equating to an NPE ratio of 5.3% of gross customer loans at end-March 2022 (December 2021 NPE ratio: 5.5%). In addition, on 21 April 2022, the Group completed the disposal of an Irish residential mortgage NPE portfolio with a gross value of €85 million. On a pro-forma basis, this reduces the Group's NPE ratio to 5.2%.

Capital Position

The Group's fully loaded CET1 ratio at end-March 2022 was 16.3% (16.0% December 2021). The movement in the period primarily reflects the benefits from organic capital generation, supported by a positive move in the Group's pension position, partially offset by the mix of investment in customer lending. The Group's regulatory CET1 and total capital ratios were 17.0% and 22.2% respectively at end-March 2022.

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, level of ownership by the Irish Government, LDRs, 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, UK, European and other regulators, plans and objectives for future operations, and the impact of the COVID-19 pandemic 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 Risk Management Report in the Group's Annual Report for the year ended 31 December 2021. Investors should also read 'Principal Risks and Uncertainties' in the Group's Annual Report for the year ended 31 December 2021 beginning on p 138.

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.