Bank of Ireland Group plc (the "Group")

Interim Management Statement – Q1 2023 update

3 May 2023

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

"The Group made a positive start to 2023 in terms of business performance, strategic delivery and sustainability.

"We've performed in line with our expectations during Q1. Highlights include strong lending in Ireland, income and costs performance in line with our plans and a further reduction in our NPE ratio. We also launched our refreshed Group strategy (2023-25) as the National Champion bank with a unique opportunity from highly attractive markets and a differentiated business model.

"In the period, we completed the acquisition and successfully migrated the KBC portfolios, with c.150,000 customers welcomed to the Group and €8 billion of loans and €1.8 billion of deposits added to the Group balance sheet. We announced a more streamlined structure for our business and corporate teams, bringing these units together to better serve our customers at all stages of their commercial development. We also published our 2022 Sustainability Report, significantly enhancing ESG disclosures and highlighting progress in delivering meaningful and practical solutions for our customers, colleagues, shareholders and society.

"Notwithstanding recent international banking sector volatility to which we remain alert, our strong financial performance underpins our conviction in the delivery of our refreshed Group strategy."

Key highlights for Q1 2023

- Strategy update for 2023-25 period announced, which contains a number of key financial targets, including a c.15% ROTE in each year
- Irish economy continues to perform strongly with the UK economic picture showing some modest improvement through Q1
- Net interest income in Q1 in-line with expectations
- Net lending €8.1 billion higher vs December 2022, reflecting the acquisition of the KBC portfolios and a strong performance in our Irish businesses
- Business income* performance in-line with expectations
- Costs performance in line with expectations; continued strong underlying cost discipline
- Asset quality remains strong; non-performing exposures (NPE) ratio of 3.4%
- Strong capital position; fully loaded CET1 capital ratio 14.4%; regulatory CET1 capital ratio 14.6%
- All full year 2023 guidance remains unchanged

Income

Net interest income in Q1 2023 is tracking in line with FY23 guidance of greater than 12% higher than the Q4 2022 annualised run rate of c.€3 billion. Progress reflects deposit and lending growth in Ireland, higher rates and business momentum. The Group continues to maintain strong commercial pricing discipline with higher loan asset spreads in Q1 2023 compared to the same period in 2022.

Business income, including share of associates and JVs, is performing in line with our full year guidance of high single digit percent decline due to the adoption of IFRS 17. Q1 2023 performance has been supported by growth in Retail Ireland and the benefit of Davy fee income.

Costs
Costs have progressed in line with our expectations in Q1 2023 and the Group has maintained rigorous cost discipline while absorbing cost inflation and continuing to invest. On a like-for-like basis, operating expenses (excluding levies and regulatory charges) are broadly flat. Reported operating expenses are 9% higher in Q1 2023 compared to the same period in 2022, reflecting the combined impacts of acquisitions, which were not present in the comparative period, IFRS 17 and an allowance for variable pay.

Balance Sheet
Customer loan volumes were higher at €80.1 billion at end-March 2023 vs €72 billion at December 2022. The increase largely reflects the KBC portfolios onboarded during Q1 2023 of €8 billion. Net lending increased by €0.3 billion in Retail Ireland. This was offset by a reduction in international corporate and UK lending of €0.4 billion, whilst there were also positive FX/other impacts of €0.2 billion.

New lending increased 8% in the 3 months to March compared to the same period in 2022. Retail Ireland new lending increased by 33% with mortgage lending more than double Q1 2022 levels. We continue to strongly support the transition to a more sustainable economy with ROI green mortgages accounting for 50% of new mortgage lending vs 43% in Q1 2022.

The Group's liquid assets of €43.5 billion have decreased by €5.2 billion since December 2022, primarily reflecting the KBC acquisition that completed during Q1 2023. At end Q1 2023, c.€34 billion of these assets are cash at central banks and/or cash, with c.€9 billion of high quality sovereign and corporate bonds which are hedged for interest rate risk.

Customer deposits were €101 billion at end-March 2023, c.€2 billion higher compared to December 2022, reflecting the KBC deposit portfolio acquisition of €1.8 billion, continued growth in Retail Ireland deposits, partially offset by slightly lower Corporate and Markets and Retail UK deposit volumes.

The Group's Loan to Deposit Ratio was 79% at end-March 2023 (73% December 2022). The Liquidity Coverage Ratio was 193% at end-March 2023 (221% December 2022), whilst the Net Stable Funding Ratio was 154% at end-March (163% December 2022). As expected, the changes in all three ratios in Q1 2023 primarily reflect the impact of the KBC portfolios acquisition.

Wholesale funding of €12 billion at end-March 2023 has increased by €0.8 billion since December 2022 reflecting a senior MREL issuance in Q1 2023.

Asset Quality
The Group's asset quality in Q1 2023 performed in-line with expectations and remains strong. Macroeconomic scenarios impacting credit impairment will, as usual, be refreshed to reflect updated market forecasts and captured as part of the Group's half-year credit impairment process.

The Group's NPE ratio reduced to 3.4% of gross customer loans at end-March 2023 (December 2022 NPE ratio: 3.6%). The Group's NPEs increased by €0.2 billion since December 2022 to €2.8 billion, largely reflecting the small portfolio of NPEs acquired, as planned, as part of the KBC portfolios acquisition. The Group continues to focus on achieving further asset quality improvements through a combination of organic and inorganic activity.

Capital Position
The Group's fully loaded CET1 ratio at end-March 2023 was 14.4% (15.4% December 2022). As guided, the combined impacts of the KBC portfolios acquisition and IFRS 17 implementation reduced capital by c.140bps. The remaining movement in the period primarily reflects the benefits from organic capital generation, dividend accrual and the mix of investment in customer lending. The Group's regulatory CET1 and total capital ratios were 14.6% and 19.3% respectively at end-March 2023.

** (including share of associates/JVs)*

Ends

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Forward Looking Statement

This document 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 impact of Russia's invasion of Ukraine 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 2022. Investors should also read 'Principal Risks and Uncertainties' in the Group's Annual Report for the year ended 31 December 2022 beginning on page 133.

Nothing in this document 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 document 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.