The Governor and Company of the Bank of Ireland (the ''Group'')

Interim Management Statement – Q1 2016 update

28 April 2016

Trading

The Group continues to trade in line with expectations.

The macroeconomic environments in Ireland and the UK, which are our key markets, have remained favourable. In Ireland, the export sector continued to expand and domestic activity increased as improving labour market conditions and other factors positively impact consumer spending. In the UK, where our businesses are primarily focussed on the domestic sector, the economy expanded in Q1, notwithstanding some uncertainty relating to the upcoming EU referendum. Our regulatory capital ratios are substantially hedged from currency translation impacts. However, given that sterling weakened by 7% during the first quarter vis-a-vis our Euro reporting currency, this has impacted reported balance sheet assets and liabilities as well as items in the profit and loss account.

On a constant currency basis, our net interest income has performed in line with our expectations during the first quarter. Customer loan asset spreads remain in line with H2 2015 levels and we are continuing to take actions to reduce the cost of our funding. Liquid asset volumes are higher than anticipated, due to underlying deposit and current account volume growth. Liquid asset spreads reflected the ongoing very low interest rate environment and bond sales that were completed in the early part of the year, with related additional gains benefitting non-interest income. As a consequence of these factors, our net interest margin averaged 2.11% during the period.

Other non-interest income and fees are largely in line with the second half of 2015, notwithstanding the backdrop of a more volatile market environment. The Group has continued to maintain tight control over our cost base, while making appropriate investments in our businesses, infrastructure and people. As anticipated, regulatory charges and levies of c.€50 million were accounted for during the period.

Asset Quality

Asset quality trends have continued to improve in line with our expectations. Our non-performing loan volumes have fallen by €0.9 billion since December 2015 to €11.1 billion at the end of March 2016, with reductions across all asset classes. Our defaulted loans have reduced by €0.8 billion during the same period to €9.8 billion. These reductions reflect our ongoing progress with resolution strategies that include appropriate and sustainable support to customers who are in financial difficulty, the positive economic environment and the ongoing recovery in collateral values. We expect the level of non-performing loans to continue to reduce.

Balance Sheet

Loan book dynamics continue to be broadly in line with our expectations.

The balance sheet was impacted by the translation impact of sterling assets and liabilities with customer loan volumes reducing to €81 billion in Euro reported terms at the end of March 2016 and customer deposits to €79 billion, resulting in a loan to deposit ratio of 104%. The decrease in the value of sterling accounted for c.€3 billion of the movement in customer loan volumes. New lending volumes were higher than in the same period last year and, notwithstanding some large individual transaction specific redemptions in our Corporate business and a broadly similar pattern to the same period last year of redemptions across our other businesses, our core loan books (i.e. excluding non-performing loans, Irish tracker mortgages and legacy run-down books) continue to grow. Wholesale funding was €14 billion at the end of March 2016.

Capital

At the end of March 2016, the Group's fully loaded CET 1 ratio was 11.2%, in line with the December 2015 position. The Group's continuing organic capital generation was offset by an increase in the IAS 19 accounting standard defined benefit pension deficit to €0.9 billion. At March 2016, the Group's transitional CET1 and Total Capital ratios were 13.1% and 17.7% respectively and reflect, inter alia, the further phase in of CRD IV items since 1 January 2016.

Ends

For further information please contact:

Bank of Ireland

Andrew Keating	Group Chief Financial Officer	+353 (0)766 23 5141
Mark Spain	Director of Group Investor Relations	+353 (0)766 23 4850
Pat Farrell	Head of Group Communications	+353 (0)766 23 4770

Forward-Looking Statement

This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934 and Section 27A of the US Securities Act of 1933 with respect to certain of the Bank of Ireland Group's (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,' 'can,' 'might,' 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 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, 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. Such risks and uncertainties include, but are not limited to, the following:
geopolitical risks, which could potentially adversely impact the markets in which the Group operates; concerns on sovereign debt and financial uncertainties in the EU and the potential effects of those uncertainties on the financial services industry and on the Group; general and sector specific economic conditions in Ireland, the United Kingdom and the other markets in which the Group operates;
the ability of the Group to generate additional liquidity and capital as required; property market conditions in Ireland and the United Kingdom; the potential exposure of the Group to credit risk and to various types of market risks, such as interest rate risk, foreign exchange rate risk; the impact on lending and other activity arising from emerging macro prudential policies; the performance and volatility of international capital markets; the effects of the Irish Government's stockholding in the Group (through the Ireland Strategic Investment Fund) and possible changes in the level of such stockholding; changes in applicable laws, regulations and taxes in jurisdictions in which the Group operates particularly banking regulation by the Irish and United Kingdom Governments together with the operation of the Single Supervisory Mechanism and the establishment of the Single Resolution Mechanism; the impact of the continuing implementation of significant regulatory developments such as Basel III, Capital Requirements Directive (CRD) IV, Solvency II and the Recovery and Resolution Directive; the exercise by regulators of powers of regulation and oversight in Ireland and the United Kingdom; the introduction of new government policies or the amendment of existing policies in Ireland or the United Kingdom; the outcome of any legal claims brought against the Group by third parties or legal or regulatory proceedings more generally, that may have implications for the Group; the development and implementation of the Group's strategy, including the Group's ability to achieve net interest margin increases and cost reductions; the inherent risk within the Group's life assurance business involving claims, as well as market conditions generally; potential further contributions to the Group sponsored pension schemes if the value of pension fund assets is not sufficient to cover potential obligations; the Group's ability to address weaknesses or failures in its internal processes and procedures including information technology issues and equipment failures and other operational risks; the Group's ability to meet customer' expectations in mobile, social, analytics and cloud technologies which have enabled a new breed of 'digital first' propositions, business models and competitors; uncertainty relating to the forthcoming UK 'In / Out' referendum; failure to establish availability of future taxable profits, or a legislative change in quantum of deferred tax assets currently recognised; and difficulties in recruiting and retaining appropriate numbers and calibre of staff.

Nothing in this document should be considered to be a forecast of future profitability or financial position and none of the information in this document is or is intended to be a profit 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. The reader should however, consult any additional disclosures that the Group has made or may make in documents filed or submitted or may file or submit to the US Securities and Exchange Commission.