Bank of Ireland Group plc (the "Group")

Interim Management Statement – Q1 2020 update

11 May 2020

CEO Comment: Francesca McDonagh, Bank of Ireland Group CEO:
"We made a good start to the year – growing lending, selling more than a quarter of all new mortgages in Ireland, reducing costs, and with the lowest level of arrears of any Irish bank. However, right now everything is seen through the lens of COVID-19.

The Group's purpose – to enable our customers, colleagues, and communities to thrive – is more important than ever. COVID-19 hit our markets fast and hard. We took immediate steps, launching a range of supports for personal and business customers impacted by the outbreak of the virus, with 86,000 payment breaks approved for customers in Ireland and the UK since mid-March, and we have strong capital, funding and liquidity to provide this support.

Our transformation investment helped us meet this surge in demand, while at the same time changing how we operate as a business with over 70% of colleagues working from home during this crisis. We continue to work closely with Government, regulators and industry, offering solutions for our customers and supporting the economies we operate within.

The economic outlook for our core markets in Ireland and the UK has deteriorated, with reduced levels of activity across our businesses. The economic effects will have a material impact on the Group's 2020 financial performance. The full impact remains uncertain and will be driven by the duration of COVID-19 restrictions and the successful reopening of the Irish and UK economies.

The Group is well positioned and stands ready to support this recovery. We are playing our part in rebooting the island of Ireland economies in line with our Group ambition and purpose."

For Q1 2020 an Interim Management Statement presentation is available at the following link;

https://investorrelations.bankofireland.com/q1-2020-ims-announcement/

Q1 2020 Financials[1]:

- Underlying loss of €235 million
- Stable net interest income; net interest margin (NIM) of 2.07%
- Adverse movements in valuation and other items of €155 million
- Strong cost discipline; costs reduced by 3% vs. Q1 2019
- Q1 impairment charge €266 million includes COVID-19 management overlay of €250 million
- Net lending growth of €1.5 billion
- Customer deposits increased €1.8 billion; Liquidity Coverage ratio 140%
- NPE ratio at 4.2% of gross loans; 20bps improvement from end 2019
- Strong capital position; fully loaded CET1 ratio of 13.5%

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[1] The following figures are presented on a pro-forma basis throughout the financial section to reflect a COVID-19 management overlay of €250 million: impairment charges, loans & advances to customer and capital ratios

Income Statement

Net interest income for the 3 months to March of €540 million (Q1 2019: €538 million) was in line with expectations. NIM was 2.07% for the 3 months to March 2020, 3 basis points lower than Q4 2019 exit NIM of 2.10%, reflecting the impact of the low rate environment on structural hedges and growth in liquid assets, predominantly from growth in customer deposits. Business income of €152 million was broadly in line with expectations.

The Group continues to maintain tight control over its costs, while making appropriate investments in our businesses, infrastructure and people; including our multi-year transformation programme. We continue to expect that operating expenses (excluding levies and regulatory charges) will reduce in 2020; operating expenses of €443 million were c.3% lower in the first 3 months of 2020 compared to the same period in 2019.

Towards the end of Q1 the Group experienced the initial impact of COVID-19 with adverse movements on valuations and other items of €155 million and impairment charges of €266 million.

Falling equity markets and widening credit spreads generated negative movements of €120 million in our Wealth and Insurance business relating to unit linked assets and bond portfolio valuations. A further €35 million movement was incurred from Group financial instrument valuation adjustments.

The Q1 2020 impairment charge of €266 million includes COVID-19 management overlay of €250 million primarily reflecting the initial impact of the deteriorating economic environment. In the quarter, the Group did not experience loan loss outcomes related to COVID-19 and this initial charge does not reflect any material migration from Stage 1 to Stage 2 loans.

Balance Sheet

Customer loan volumes were €79.6 billion at the end of March 2020, an increase of €0.1 billion since the end of December 2019, (€1.4 billion on a constant currency basis) with net lending growth of €1.5 billion largely offset by FX movements. New lending before drawdowns on revolving credit facilities (RCFs) in the first 3 months of 2020 was 17% higher than the same period in 2019 with growth across all divisions; drawdowns on RCFs by Corporate customers were €1.4 billion in Q1 2020. The Group's market share of new mortgage lending in Ireland increased to 26% in the first 3 months of 2020, reflecting positive momentum in market share of mortgage applications in the second half of 2019.

Asset quality continued to improve; NPEs reduced by €0.1 billion since the end of December 2019 to €3.4 billion at the end of March 2020, equivalent to an NPE ratio of 4.2%. The Group entered 2020 with a strengthened balance sheet, diversified across portfolios and geographies. The Group has a strong track record on credit risk management and working with customers to implement sustainable solutions.

Customer deposits were €85.8 billion (€86.7 billion on a constant currency basis), an increase of €1.8 billion since the end of December 2019; reflecting continued growth in our Retail Ireland and Retail UK deposit franchises. Wholesale funding was €10.6 billion at the end of March 2020. The Group's Liquidity Coverage and Net Stable Funding ratios at the end of March were 140% and 131% respectively.

Capital Position
The Group's fully loaded CET1 ratio decreased by a net 30bps from 13.8% at December 2019 to 13.5% at the end of March 2020. The Group's organic capital generation and the cancellation of the 2019 dividend during the quarter were more than offset by investments in risk weighted assets associated with new lending, investments in our transformation programme and the impact of the COVID-19 management overlay.

The Group's regulatory CET1 ratio was 14.4%, and the Group's Total Capital ratio was 17.9% at the end of March 2020. The Group's capital ratios do not include a foreseeable dividend deduction in respect of 2020.

The Group's minimum CET1 regulatory capital requirements have reduced by c.215bps, reflecting actions announced by the Irish and UK regulators on Countercyclical buffers and the ECB's changes to P2R composition. Incorporating these changes, at end March, the Group's regulatory CET1 ratio of 14.4% is c.510bps above the Group's minimum regulatory capital requirement of 9.27% for 2020 (excluding Pillar 2 Guidance). We also note the Irish Minister of Finance confirmation of the deferral of the introduction of a Systemic Risk Buffer in Ireland.

2020 Outlook
COVID-19 is having a material impact on 2020 results:

- Lower business activity impacting gross lending volumes, 2020 new lending could be between 50% - 70% of 2019 volumes (€16.5 billion)
- NIM to decline reflecting low interest rate environment and growth in liquid assets
- Business income expected to be 30% - 40% lower due to reduced economic activity
- Macroeconomic outlook remains uncertain with expected increased impairment and loan loss experience over the course of 2020
- 2020 costs expected to be lower than 2019, in line with previous guidance
- In a range of scenarios, fully loaded CET1 ratio would remain above our previous minimum CET1 regulatory capital requirement of 11.45%
- No dividend deduction in Q1, aligned to ECB recommendations

Additional information

The Group's response to COVID-19
The Group is committed to supporting our customers, colleagues and communities since the onset of the COVID-19 pandemic.

Customers

- For personal customers, payment breaks and flexible arrangements on mortgages and loans
- For business customers, payment breaks, emergency working capital, and FX products
- Innovation has enabled rapid response to urgent needs; 64% of Irish mortgage payment breaks processed digitally
- c.18k customers have activated the Group's Online service between mid-March and the end of April
- Other supports include:
  - Tailored services for vulnerable customers
  - Dedicated phone line for healthcare workers

- Waived contactless fees and increased limit to €50

- High resilience of all Bank systems in unprecedented crisis, reflecting core banking investments
- The Group's NPS has seen a 12 point increase in 2020, reflecting the actions taken to support customers in Ireland

Colleagues

- 70% staff working from home; prior rollout of Agile working supported increased capacity and ways of working
- Temporarily closed smaller branches reflecting reduced footfall; enables colleagues to be reallocated to services most in demand, and to support social distancing
- Colleague supports include mental and physical wellbeing app, 24/7 health support line, and COVID-19 communications hub
- Supporting colleagues required to provide childcare or family support
- Allowance scheme for colleagues working in front line and on site locations

Communities

- Constructive engagement with Irish Government and state bodies to support re-boot of Irish economy, with particular focus on SMEs
- Fast track of payments to all the Group's SME suppliers to support cash flow
- Donated €1 million in emergency funding for communities with urgent needs, with 13 projects fast-tracked
- Launched a new Begin Together Fundmed at supporting those who are supporting others during COVID-19
- Active programme of senior management engagement with shareholders throughout crisis
- Group AGM will be staged in virtual format

Q1 2020 Financials[2,3]

	Mar-19 (€m)	Mar-20 (€m)
Net interest income	538	540
Business income	148	152
Valuation and other items	18	(155)
Total Income	**704**	**537**
Operating expenses	(457)	(443)
Levies and Regulatory charges	(69)	(62)
Operating profit pre-impairment	**178**	**32**
Net impairment charges	(43)	(266)
Share of associates / JVs	8	(1)
Underlying profit before tax	**143**	**(235)**
Non-core Items	(20)	(6)
Profit before tax	**123**	**(241)**

[2] Unaudited
[3] The following figures are presented on a pro-forma basis throughout the financial section to reflect a COVID-19 management overlay of €250m: impairment charges, loans & advances to customers and capital ratios

	Dec-19	Mar-20
Loans & advances to customers (net)	€79.5bn	€79.6bn
Customer deposits	€84.0bn	€85.8bn
Risk weighted assets	€49.9bn	€50.8bn
Fully loaded CET 1 ratio	13.8%	13.5%
Liquidity Coverage Ratio	138%	140%
NPE Ratio	4.4%	4.2%

Loans and advances to customers – Staging[4]

Composition (Mar 20)	Stage 1 - 12 month ECL (not credit impaired) (€bn)	Stage 2 - Lifetime ECL (not credit impaired) (€bn)	Stage 3 - Lifetime ECL (credit impaired) (€bn)	Purchased / Originated Credit Impaired (€bn)	Total (€bn)	Total (%)
Residential Mortgages	**42.0**	**1.8**	**1.6**	**0.0**	**45.4**	**56%**
Republic of Ireland	20.6	1.1	1.3	0.0	23.0	28%
UK	21.4	0.7	0.3	0.0	22.4	28%
Non-Property SME and Corporate	**18.3**	**2.4**	**0.8**	**0.0**	**21.5**	**27%**
Republic of Ireland SME	5.8	1.0	0.5	0.0	7.3	9%
UK SME	1.3	0.2	0.1	0.0	1.6	2%
Corporate	11.2	1.2	0.2	0.0	12.6	16%
Property and Construction	**6.3**	**1.4**	**0.5**	**0.1**	**8.3**	**10%**
Investment Property	5.7	1.2	0.5	0.1	7.5	9%
Land and Development	0.6	0.2	0.0	0.0	0.8	1%
Consumer	**5.3**	**0.2**	**0.1**	**0.0**	**5.6**	**7%**
Republic of Ireland Loans	0.7	0.1	0.0	0.0	0.8	1%
UK Loans	1.2	0.0	0.1	0.0	1.3	2%
Republic of Ireland Credit Cards	0.4	0.0	0.0	0.0	0.4	0%
Republic of Ireland Motor	0.8	0.0	0.0	0.0	0.8	1%
UK Motor	2.2	0.1	0.0	0.0	2.3	3%
Total loans and advances to customers	**71.9**	**5.8**	**3.0**	**0.1**	**80.8**	**100%**
Impairment loss allowance	**0.1**	**0.2**	**1.0**	**0.0**	**1.3**	
Impairment coverage %	**0.1%**	**3.4%**	**33.3%**	**0.0%**	**1.6%**	

[4] Figures do not reflect COVID-19 management overlay of €250m

Non-performing exposures by portfolio[4,5]

Composition (Mar 20)	Advances (€bn)	Non-performing exposures (€bn)	Non-performing exposures as % of advances	Impairment loss allowance (€bn)	Impairment loss allowance as % of non-performing exposures
Residential Mortgages	**45.4**	**1.9**	**4.1%**	**0.4**	**23%**
Republic of Ireland	23.0	1.4	6.2%	0.3	26%
UK	22.4	0.5	2.0%	0.1	14%
Non-property SME and Corporate	**21.5**	**0.8**	**3.9%**	**0.5**	**59%**
Republic of Ireland SME	7.3	0.5	7.6%	0.3	54%
UK SME	1.6	0.1	5.4%	0.0	50%
Corporate	12.6	0.2	1.6%	0.2	77%
Property and construction	**8.3**	**0.6**	**6.8%**	**0.2**	**38%**
Investment property	7.5	0.6	7.2%	0.2	37%
Land and development	0.8	0.0	3.2%	0.0	69%
Consumer	**5.6**	**0.1**	**2.0%**	**0.2**	**153%**
Total loans and advances to customers	**80.8**	**3.4**	**4.2%**	**1.3**	**39%**

Composition (Dec 19)	Advances (€bn)	Non-performing exposures (€bn)	Non-performing exposures as % of advances	Impairment loss allowance (€bn)	Impairment loss allowance as % of non-performing exposures
Residential Mortgages	**46.3**	**1.9**	**4.2%**	**0.4**	**22%**
Republic of Ireland	23.1	1.5	6.3%	0.3	25%
UK	23.2	0.5	2.1%	0.1	13%
Non-property SME and Corporate	**20.4**	**0.9**	**4.3%**	**0.5**	**55%**
Republic of Ireland SME	7.3	0.6	7.5%	0.3	54%
UK SME	1.7	0.1	6.3%	0.0	46%
Corporate	11.4	0.2	2.0%	0.2	60%
Property and construction	**8.1**	**0.6**	**7.3%**	**0.2**	**39%**
Investment property	7.2	0.6	7.7%	0.2	37%
Land and development	0.9	0.0	3.8%	0.0	64%
Consumer	**5.7**	**0.1**	**1.7%**	**0.2**	**159%**
Total loans and advances to customers	**80.5**	**3.5**	**4.4%**	**1.3**	**37%**

[5] Non-Property SME and Corporate includes Wholesale / Retail €2.6bn, Hospitality €1.8bn and Acquisition Finance €4.9bn

Economic outlook[6,7,8]

Ireland	2019	2020 (f)	2021 (f)
GDP	5.5%	(8.0%)	7.5%
Unemployment	5.0%	13.5%	8.0%
UK	**2019**	**2020 (f)**	**2021 (f)**
GDP	1.4%	(8.5%)	6.5%
Unemployment	3.8%	9.0%	6.2%

Ends

http://www.rns-pdf.londonstockexchange.com/rns/4570M_1-2020-5-11.pdf

For further information log on to www.bankofireland.com/investor or contact:

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Forward – Looking Statement

[6] Sources: Forecasts by Bank of Ireland Economic Research Unit
[7] GDP - annual real growth
[8] Unemployment - annual average