Bank of Ireland Group plc (the "Group")

Interim Management Statement – Q1 2021 update

30 April 2021

Comment: Francesca McDonagh, Bank of Ireland Group CEO:

"Throughout the first quarter of 2021, we have continued to support our customers through COVID-19. At the same time, we have maintained our focus on strategy delivery, taking actions to respond to the accelerated changes we have seen in customer banking preference, and further reducing our costs.

We have also continued to transform the Bank including planning for how we will operate in a post-COVID-19 world. This has been underpinned by the investment we have made in improving our culture, systems and business model in recent years.

The operating environment for European banks, including in Ireland, is clearly dynamic and changing. We will consider opportunities that are a good fit for customers, complement our strategy to grow our business in Ireland, and support the investments we are making in the Bank. Looking to the months ahead, especially in our home market of Ireland, our clear ambition is to proactively support economic recovery through accessible, responsible and sustainable lending."

Key highlights:
- Strong capital position; fully loaded CET1 capital ratio 13.5%, regulatory CET1 capital ratio 14.7%
- Net interest income stronger than expectations with performance stable in the 3 months to end-March vs prior year; NIM of 2.00%, stable vs 2020
- Stable net lending in the 3 months to end-March; new lending of €3.9 billion offset by €3.9 billion of redemptions
- Business income (including share of associates/JVs) in-line with expectations, supported by growth in Wealth and Insurance income
- Positive contribution from valuation and other items
- Continued strong cost discipline; net reduction of 7% in the 3 months to end-March vs prior year
- Asset quality remains strong with minimal loan losses in the 3 months to end-March 2021
- Memorandum of Understanding (MoU) entered into with KBC Bank Ireland to acquire substantially all performing loans and deposits

Income

Net interest income in Q1 2021 is stable when compared to the same period in 2020. This reflects higher corporate lending volumes, higher UK mortgage margins and the increased application of negative interest rates on certain deposits. The low interest rate environment continues to negatively impact income on liquid assets and structural hedges. The Group continues to maintain strong commercial pricing discipline with higher loan asset spreads in Q1 2021 compared to the same period in 2020.

Notwithstanding the impacts of continued COVID-19 restrictions on economic activity, business income, including share of associates and JVs, is in line with expectations and, in the 3 months to end-March, is broadly in-line with the same period in 2020.

Valuation and other items has provided a positive contribution in the 3 months to end-March.

Costs

The Group continues to maintain tight control over the cost base while investing in transformation and absorbing cost inflation. Operating expenses (excluding levies and regulatory charges) are 7% lower in the first 3 months of 2021 compared to the same period in 2020. The net reduction of 7% is supported by lower FTEs following completion of the Group's voluntary redundancy scheme in 2020. We continue to expect 2021 costs to be less than €1.65 billion.

Balance Sheet
Customer loan volumes were €78.5 billion at the end of March 2021, an increase of €1.9 billion since December 2020 (stable on a constant currency basis at €76.7 billion). Modest reductions in net lending in Retail Ireland and Retail UK have been offset by growth in Corporate lending. New mortgage lending in Ireland of €0.5 billion in the 3 months to end-March remained robust notwithstanding on-going COVID-19 restrictions on normal housing market activities and continued competitive dynamics in the mortgage market.

The Group's liquid assets of €42.6 billion increased by €11.9 billion since December 2020 primarily reflecting the Group's €10.8 billion successful participation in the ECB's TLTRO in March. TLTRO participation is expected to modestly enhance interest income while mechanically reducing 2021 NIM by c.12 basis points primarily from higher average interest earning assets.

Customer deposits were €89.9 billion (€88.7 billion on a constant currency basis and broadly unchanged compared to the 2020 year end position of €88.6 billion). Wholesale funding was €20.1 billion at the end of March 2021.

Asset Quality
The Group experienced no notable change in loan losses since December 2020. 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 continues to support our personal and business customers in Ireland and the UK through payment breaks. The number of customers availing of a payment break continues to reduce as payment breaks expire. Of the c.100,000 initial 3-month payment breaks in Ireland and the UK; 96% have concluded and 4% remained outstanding at end-March. 96% of the concluded payment breaks have returned to pre-COVID-19 terms and c.4% have had further forbearance measures approved.

Although restrictions to control the impacts of COVID-19 have remained in place longer than expected, there was limited evidence of adverse impacts on non-performing exposures (NPEs) in the first 3 months of 2021. The Group's NPE ratio of 5.7% at the end of March 2021 is unchanged since December 2020 while NPEs were €4.6 billion at the end of March 2021. The Group has a strong track record of credit risk management and working with customers to implement sustainable solutions.

Capital Position
The Group's fully loaded CET1 ratio of 13.5% at the end of March 2021 has increased by a net 10 basis points from 13.4% at December 2020. The movement reflects the benefits from organic capital generation, partially offset by on-going investment in transformation and risk weighted assets associated with new lending.

The Group's regulatory CET1 ratio was 14.7% at end of March, c.490 basis points over end-2021 regulatory requirements of 9.77% (excluding P2G). This strong capital position provides the Group with sufficient capital headroom to complete the recently announced MoU with KBC Bank Ireland. The Group also has a proven track record of executing balance sheet optimisation initiatives which could generate further capital if required in the future.

The Group's regulatory Total Capital ratio was 18.9% at the end of March 2021.

Other
On 16 April 2021, the Group entered into a MoU with KBC Bank Ireland to explore a route that could potentially lead to a transaction whereby Bank of Ireland commits to acquire substantially all of KBC Bank Ireland's performing loan assets and liabilities. The transaction remains subject to customary due

diligence, further negotiation and agreement of final terms and binding documentation, as well as obtaining all appropriate internal and external regulatory approvals.

Ends

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Forward Looking Statement

This announcement contains forward-looking statements with respect to certain of Bank of Ireland Group plc ('BOIG plc') and its subsidiaries' (collectively the 'Group's') 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, loan to deposit ratios, expected impairment charges, the level of the Group's assets, the Group's financial position, future income, business strategy, business model, projected costs, margins, future payment of dividends, 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.

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