Bank of Ireland Group plc (the ''Group'')

Interim Management Statement – Q3 2017 update

26 October 2017

Trading

The Group continues to trade in line with expectations.

Economic growth in our core markets of Ireland and the UK remained positive notwithstanding ongoing uncertainties related to the UK's decision to leave the European Union.

Net interest income was in line with the first half of 2017. Our net interest margin for the 9 months to September 2017 was 2.34%, reflecting our evolving asset mix and reductions in the cost of funding, partially offset by the ongoing impact of the low interest rate environment and excess liquidity on the quantum of liquid assets. Our recent Tier 2 capital issuance of €0.75 billion will reduce our net interest margin from Q4 2017 onwards by c.3bps.

Business income has remained in line with the first half of 2017.

The Group has continued to maintain tight control over our cost base, while making appropriate investments in our businesses, infrastructure and people including our multi-year business transformation investment programme which continues to make progress.

Balance Sheet

Customer loan volumes were €77 billion at the end of September 2017.

New lending of €10 billion for the 9 months to September 2017 was c.3% higher than the same period in 2016 on a constant currency basis and included a c.38% increase in ROI mortgage volumes. Our market share of ROI new mortgage lending for the first 8 months of 2017 was 26%, a 1% increase from 2016.

Customer deposits were €75 billion and wholesale funding was €13 billion at the end of September 2017.

Asset quality across our loan portfolios has continued to improve. Non-performing exposures have reduced by €0.4 billion since the end of June 2017 to €7.7 billion at the end of September 2017. Impaired loans have also reduced by €0.4 billion during the same period to €5.0 billion.

Capital Position

The Group's fully loaded CET 1 ratio increased by 30bps from 12.5% at the end of June 2017 to 12.8% at the end of September 2017.

The Group's organic capital generation during the quarter was partially offset by the impacts of the investment in our business transformation programme and a modest increase in the IAS 19 accounting standard defined benefit pension deficit; consistent with H1 2017, the Group has made a deduction for a potential dividend in 2018 in respect of the 3 month period to end September 2017.

At the end of September 2017, the Group's transitional CET 1 ratio was 14.7%, and the Group's Total Capital ratio was 18.9% which reflects the benefit from the Group's recent Tier 2 capital issuance.

Tracker Mortgage Examination Review

The Group continues to progress the work associated with the Tracker Mortgage Examination being undertaken by the Central Bank of Ireland.

- In 2010, prior to the current Examination and under the direction of the Central Bank of Ireland, the Group undertook a desk based review of tracker rate mortgage switches. This resulted in the remediation of c.2,100 accounts and a further c.3,000 customers were offered the option of returning to a tracker rate at the end of a fixed term.
- Under the current Examination, the Group has identified c.600 accounts where a right to, or the option of, a tracker rate was not appropriately provided to the customer in accordance with their loan documentation. The Group has also identified a small rate differential (average 0.15%) on c.3,700 tracker mortgages which was not the appropriate rate specified in the loan documentation.
- All c.4,300 impacted customers were returned to their correct tracker rates between March 2016 and August 2017.
- The Group has committed to communicating the compensation process to these impacted customers from 10 November 2017.

The Group will continue to review whether other customers should be included in the compensation process and will ensure that any such impacted customers will be treated fairly. To the extent that an additional provision associated with this review is required, the Group anticipates this to be manageable in the context of the Group's capital position outlined above. A further update will be issued in mid-November.

Ends

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